

TARGET'S STATEMENT ISSUED BY MARETERRAM LIMITED (ACN 009 248 720)

This Target's Statement is issued in relation to the off-market takeover bid by Sea Harvest International Proprietary Limited for all the ordinary shares it does not already own in Mareterram Limited at \$0.25 per Share.

ACCEPT

Your Non-Affiliated Directors unanimously recommend you
ACCEPT the Offer in the absence of a Superior Proposal.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Key dates

Announcement of Offer	5 February 2019
Date of Bidder's Statement	28 February 2019
Date of this Target's Statement	28 February 2019
Offer opens	4 March 2019
Offer closes (unless extended or withdrawn)*	5.00 pm (Perth time) on 5 April 2019

* These dates are subject to change. Please also see **section 4.6** of this Target's Statement for further details regarding the extension of the Offer.

Important notices

Nature of this document

This document is a Target's Statement issued by Mareterram Limited (ACN 009 248 720) (**Mareterram**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement and the Offer.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 28 February 2019. None of ASIC or ASX nor any of their respective officers, take any responsibility for the content of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in **section 7** of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Non-Affiliated Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Sea Harvest International Proprietary Limited (**Sea Harvest**) contained in this Target's Statement has been obtained from publicly available sources, including the Bidder's Statement filed by Sea Harvest. None of the information contained in this Target's Statement relating to Sea Harvest has been verified by Mareterram or its Directors for the purposes of this Target's Statement. Accordingly, and to the extent permitted by law, Mareterram makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

Mareterram has collected your information from the Mareterram register of Shareholders (including name, contact details and shareholding details) for the purpose of providing you with this Target's Statement.

Your information may be disclosed on a confidential basis to external service providers (such as Mareterram's share registry and print and mail service providers) and may be required to be disclosed to regulators (such as ASIC and ASX). If you would like to obtain details of the information held about you by Mareterram, please contact Automatic Registry Services (Mareterram's share registry) on 1300 288 664.

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Letter to Shareholders

28 February 2019

Dear Shareholder

Takeover offer by Sea Harvest International Proprietary Limited

On 5 February 2019, Mareterram announced that it had entered into a bid implementation agreement with Sea Harvest Group Limited (**SHGL**) under which SHGL, or a member of the Sea Harvest Group, was to make an offer to acquire all of the Mareterram Shares that it does not already own for **\$0.25 cash** per Mareterram Share.

SHGL has nominated Sea Harvest International Proprietary Limited, a wholly-owned subsidiary of SHGL, (**Sea Harvest**) to make the Offer. Sea Harvest is one of Mareterram's largest shareholders, with a shareholding in Mareterram of approximately 56.28% immediately prior to the announcement of the Offer.

The Board has established an Independent Board Committee, which has the scope of authority to, among other things, review, consider and evaluate the terms of the Offer. As at the date of this Target's Statement, the Independent Board Committee included David Lock, Mark Pitts and Gregory Roberts-Baxter, who, together with managing director James Clement (being the directors of Mareterram who are not affiliated with Sea Harvest) are the **Non-Affiliated Directors**.

Enclosed is Mareterram's Target's Statement, which sets out the responses and recommendations of the Non-Affiliated Directors to Shareholders in relation to the Offer. The Non-Affiliated Directors are considered independent of the Sea Harvest Group. Mr Felix Ratheb, Mr Fred Robertson and Mr Muhammad Brey have not participated in Mareterram's response to the Offer, and do not make a recommendation on whether Shareholders should accept the Offer, for the reasons set out in **section 3.4**. The Directors' interests in Mareterram and SHGL are disclosed in **sections 6.2** and **6.3**.

After careful consideration, your Non-Affiliated Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal. Each Non-Affiliated Director intends to accept the Offer in relation to any Mareterram Shares they own or control, in the absence of a Superior Proposal, as soon as practicable on the day that is 21 days after the release of the Target's Statement.

In making their recommendation, the Non-Affiliated Directors have carefully considered the following matters:

- the cash offer of \$0.25 per Mareterram Share values the entire issued capital of Mareterram at approximately \$38.6 million and represents a 22% premium to the last traded price of Mareterram Shares on ASX on 1 February 2019 of \$0.205 (being the last day on which Mareterram Shares traded prior to the announcement of the Offer), and a 31% premium to the 30-day volume weighted average price of Mareterram Shares of \$0.1905 up to and including 1 February 2019;
- Shareholders are being offered cash consideration at an attractive value, providing you with the ability to lock in a guaranteed cash return (subject to the Offer becoming unconditional) as compared to the risks and uncertainties associated with remaining a Shareholder in the Company;
- there has not been any other takeover offer or change of control proposal for Mareterram since the Offer was announced and, as at the date of this Target's Statement, the Non-Affiliated Directors believe that the likelihood of a Superior Proposal emerging is remote;
- the Independent Expert has concluded that the Offer is not fair but reasonable to Non-Associated Shareholders (a copy of which is enclosed with this Target's Statement); and
- there are material risks which may affect the value of your investment in Mareterram if you do

not accept the Offer. See **section 5.5** of this Target's Statement for more details of these risk factors.

The Non-Affiliated Directors recommend that you read this Target's Statement in its entirety and in conjunction with the Bidder's Statement which is also enclosed.

If you wish to accept the Offer, you should follow the instructions in the Bidder's Statement and on the Acceptance Form. The Offer is scheduled to close at **5.00 pm (Perth time) on 5 April 2019**, unless extended by Sea Harvest.

If you have any questions in relation to the Offer, I encourage you to seek independent advice from your investment, financial, tax or other professional adviser, or to contact the Company Secretary of Mareterram on +61 8 9435 6500.

Yours sincerely,

David Lock
Chairman

1 Reasons you should ACCEPT the Offer

The Non-Affiliated Directors have considered the advantages and disadvantages of the Offer and unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal. The reasons for this recommendation are set out in this **section 1** of this Target's Statement.

As at the date of this Target's Statement, each Non-Affiliated Director (who in aggregate hold 1.6% of the Shares on issue) intends to accept the Offer in relation to any Mareterram Shares they own or control, in the absence of a Superior Proposal, as soon as practicable on the day that is 21 days after the release of the Target's Statement.

The Non-Affiliated Directors also acknowledge there are risks associated with accepting the Offer which are highlighted in **section 5.8** of this Target's Statement.

1.1 The Offer represents an attractive premium to recent market prices for Mareterram Shares

The consideration offered under the Offer of \$0.25 per Share represents an attractive premium to recent market prices for Shares, including a premium of:

- 22% to the last traded price of Mareterram Shares of \$0.205 on 1 February 2019, being the last day on which Mareterram Shares traded prior to the announcement of the Offer; and
- 31% to the 30-day volume weighted average price of Mareterram Shares of \$0.1905 up to and including 1 February 2019.

1.2 The Offer provides cash consideration at an attractive and certain value compared to the risks and uncertainties associated with remaining a Shareholder in the Company

In addition to offering an attractive premium, the Offer provides Shareholders with a liquidity event whereby all Shareholders are given the opportunity to crystallise value for their investment in Mareterram (subject to the Offer becoming unconditional).

By accepting the Offer:

- You will obtain the certainty of receiving \$0.25 cash for each Share you hold (subject to the Offer becoming unconditional).
- You will be paid by the earlier of:
 - one month after the later of: (i) receipt of your valid acceptance and necessary transfer documents; and (ii) the date on which the Offer becomes unconditional; and
 - 21 days after the end of the Offer Period,subject to certain exceptions.
- You will not incur any brokerage charges (if your Shares are registered in your name).

The certainty of this cash offer should be compared to the risks of remaining a Shareholder. These include operational risks, competition risks, product pricing risk, consumer demand risk, key customer risk, environmental risk, supply chain security risk, key supplier risk, disease risk, food safety risk, reputation risk, key personnel risk, security of crew risk, diesel price risk, processing risk, leased property risk, regulatory risk, fishing license risk, fishery closure risk, export and import risk, Marine Stewardship Council risk, occupational health and safety risk and other general risks.

These risks are described in detail in **section 5.5** of this Target's Statement.

Specifically, the Non-Affiliated Directors note that based on current forecasts, Mareterram is highly likely to require additional debt or equity funding to meet ongoing working capital requirements in the short to medium term. Whilst the Non-Affiliated Directors believe

Mareterram will be able to raise funds at the required time, if funding proceeds by way of equity raising, then depending upon the price of any raising, this may result in dilution for existing Shareholders.

However, Shareholders should be aware that if the Offer is successful, they will forgo the ability to participate in any benefits that may ultimately be realised by Mareterram arising out of any potential upside in the price of Shares or a superior proposal emerging.

1.3 Remote likelihood of a Superior Proposal

As at the date of this Target's Statement, there has not been any other takeover offer or any other binding proposal to seek to acquire control of Mareterram since the Offer was announced. The Non-Affiliated Directors believe that the prospect of a Superior Proposal emerging is remote.

1.4 The Independent Expert has concluded the Offer is not fair but reasonable to Non-Associated Shareholders

The Independent Board Committee appointed RSM Corporate Australia Pty Ltd, to prepare an Independent Expert's Report opining on whether the Offer is fair and reasonable to Non-Associated Shareholders.

The Independent Expert has assessed a fair value of a Share pre-the Offer and on a "control basis" to be in the range of \$0.265 to \$0.293 per Share. This is based upon the value range which has been derived using the orderly realisation of assets methodology. On this basis, the Independent Expert has concluded that the Offer is "not fair" to Non-Associated Shareholders.

The Non-Affiliated Directors note that the Independent Expert's Report also contains valuation ranges based on two other methodologies, other than the orderly realisation of assets methodology. These valuation methodologies indicate an assessed value of a Share in Mareterram being either below the Offer Price (being a range based on capitalisation of future maintainable earnings methodology of \$0.133 to \$0.210) or with a range for which the Offer Price is close to the mid-point of that range (being a range based on the quoted market price of listed securities methodology with a control premium applied of \$0.241 to \$0.256) (refer to Table 28 in section 8 of the Independent Expert's Report for further details). The Non-Affiliated Directors note that, whilst the final assessment of value of the Independent Expert is based entirely on an orderly realisation of assets methodology (and the Independent Expert's Report provides reasons for this opinion), Shareholders are encouraged to form their own conclusions as to the appropriate value of a Share based on all circumstances and take independent advice as required. The Non-Affiliated Directors reiterate that, for the reasons set out in this Target's Statement, they unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal.

Although the Non-Affiliated Directors note that the Independent Expert has concluded that the Offer is "not fair" to Non-Associated Shareholders, the Independent Expert has assessed the Offer as "reasonable" for the Non-Associated Shareholders.

In forming its opinion as to the reasonableness of the Offer, the Independent Expert has stated in section 2.9 of the Independent Expert's Report:

"In determining whether the Offer is reasonable for the Non-Associated Shareholders of Mareterram, we have considered:

- the future prospects of the Company if the Offer does not proceed; and*
- any other advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Offer proceeding."*

In support of its opinion as to the reasonableness of the Offer, the Non-Affiliated Directors note that the Independent Expert had regard to the following advantages of accepting the Offer:

- premium to the underlying share price;
- certainty of cash;

- liquidity event; and
- opportunity to reinvest in alternative investments,

together with certain disadvantages of accepting the Offer. Refer to section 2.17 of the Independent Expert's Report for further details.

In its conclusion on the "reasonableness" of the Offer, the Independent Expert has stated that in its opinion the position of the Non-Associated Shareholders if the Offer is accepted is more advantageous than the position if it is not accepted. Therefore, in the absence of any other relevant information and/or a superior offer, the Independent Expert considers that the Offer is reasonable for the Non-Associated Shareholders (refer to sections 2.28 and 2.29 of the Independent Expert's Report for further information).

A copy of the Independent Expert's Report is attached as Annexure 1.

The Independent Expert's Report is an important document that contains information relevant to your decision in relation to the Offer. The Non-Affiliated Directors encourage you to consider the Independent Expert's Report as part of your assessment of the Offer.

1.5 There are risks in doing nothing and not accepting the Offer

If the 90% minimum acceptance condition is waived, the Offer is successful and Sea Harvest increases its control of Mareterram, the nature of your investment in Mareterram may change.

This will have a number of possible consequences, including:

- The Share price may fall following the end of the Offer Period.
- The liquidity of Shares may be lower than at present.
- If the number of Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then Sea Harvest may seek to have Mareterram removed from the official list of ASX.
- If Sea Harvest acquires 75% or more of the Shares it will be able to pass a special resolution of Mareterram. This will enable Sea Harvest to, among other things, change Mareterram's constitution, and it may be unlikely that a subsequent takeover bid for Mareterram will emerge at a later time from a third party.

Shareholders should take these possible implications into account in considering whether to accept the Offer.

If the Offer does not proceed, Mareterram is likely to require new debt or equity funding within the short to medium term. Even if such new funding was able to be raised by issuing new equity, any such equity issue is likely to be at a discount to current market prices of Mareterram Shares.

2 Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
1 What is the Offer?	Sea Harvest has made an offer of \$0.25 cash for each Share held by you. Further details of the terms of the Offer (including the Conditions) are set out in section 4 of this Target's Statement.
2 Who is making the Offer?	The Offer is being made by Sea Harvest. Sea Harvest, a wholly-owned subsidiary of SHGL, is the largest Shareholder with a 56.28% shareholding as at the date of this Target's Statement. The Sea Harvest Group is one of the largest, most diversified vertically integrated fishing, aquaculture and agri-businesses in South Africa. Further details on the identity of Sea Harvest are set out in section 5.2(a) of this Target's Statement and in section 1 of the Bidder's Statement.
3 What is Sea Harvest's current interest in Mareterram securities?	Sea Harvest is the registered holder of 86,966,581 Shares which represents approximately 56.28% of the total number of Mareterram Shares on issue as at the date of this Target's Statement. Sea Harvest has voting power of approximately 56.28% in Mareterram as at the date of this Target's Statement. In addition, Sea Harvest also holds 2,500,000 Mareterram Options with a \$0.20 per option exercise price.
4 What is the Bidder's Statement?	The Bidder's Statement was prepared by Sea Harvest. The Bidder's Statement describes the terms of the Offer for your Shares and other information that Sea Harvest considers relevant to your decision as to whether or not to accept the Offer.
5 What is this Target's Statement?	This Target's Statement has been prepared by Mareterram and provides Mareterram's response to the Bidder's Statement and the Offer.
6 What are the Non-Affiliated Directors recommending?	The Non-Affiliated Directors recommend that you ACCEPT the Offer in the absence of a Superior Proposal. If there is a change to these recommendations or any material development in relation to the Offer, your Non-Affiliated Directors will inform you. As at the date of this Target's Statement, each Non-Affiliated Director intends to accept the Offer in relation to any Mareterram Shares they own or control, in the absence of a Superior Proposal, as soon as practicable on the day that is 21 days after the release of the Target's Statement. See sections 1 and 3 of this Target's Statement for the reasons for these recommendations.

Question	Answer
7 Have any Shareholders indicated that they intend to accept the Offer?	<p>As announced by Mareterram on 5 February 2019, certain Shareholders¹ (excluding the Non-Affiliated Directors) representing approximately 19.0% of the issued Shares provided Mareterram with a signed statement confirming that their present intention was to accept the Offer. This statement was expressed to be their then intention only and the Shareholders each expressly reserved the right to change this intention (including in circumstances where a superior proposal emerges, or the Independent Expert concludes the Offer is other than fair and reasonable).</p> <p>Prior to the date of this Target Statement, Mareterram has not received any instruction from any of those Shareholders that those intentions have changed (although the Company notes that the caveat entitles them to do so, including after those persons have reviewed the content of the takeover documentation).</p>
8 Why might I not accept the Offer?	<p>Possible reasons why you may choose not to accept the Offer include:</p> <ul style="list-style-type: none"> • You may disagree with the conclusion of the Independent Expert, the recommendation of the Non-Affiliated Directors and/or believe the Offer Price is inadequate • By accepting the Offer you will lose exposure to any potential upside in the Share price • You may consider there is the potential for a Superior Proposal to be made prior to the end of the Offer Period • You may wish to remain a Shareholder and participate in the future financial performance of Mareterram or exercise the rights of a Shareholder • You may believe that the Offer will not be successful, including due to the 90% minimum acceptance condition not being satisfied or waived • You may wish to sell your Shares on-market and receive the proceeds of that sale sooner than the consideration under the Offer • The potential tax consequences of the Offer may not suit your current financial position or tax circumstances <p>There are also risks associated with accepting the Offer. See section 5.8 of this Target's Statement for further details.</p>
9 Is an Independent Expert's Report being prepared?	<p>Mareterram appointed RSM Corporate Australia Pty Ltd to prepare an Independent Expert's Report assessing the Offer, and to provide an opinion on whether the Offer is fair and reasonable to Non-Associated Shareholders.</p> <p>The Independent Expert has provided the Independent Expert's Report to Mareterram, which concludes that the Offer is not fair but reasonable to Non-Associated Shareholders. A copy of the Independent Expert's Report is attached as Annexure 1.</p>

¹ The Mareterram Shareholders who gave present intention statements are: Endeavor Asset Management (representing 6,138,016 Shares being approximately 3.97% of Shares); Orange Sun Development (representing 5,000,000 Shares being approximately 3.24% of Shares); Wolf Capital (representing 4,121,663 Shares being approximately 2.67% of Shares); Molonglo Pty Ltd (representing 3,281,250 Shares being approximately 2.12% of Shares); Mr Robert McKenzie Mostyn (representing 2,500,000 Shares being approximately 1.62% of Shares); Yea-Sayer Pty Ltd (representing 2,000,000 Shares being approximately 1.29%); Mr Stacey Radford (representing 1,848,714 Shares being approximately 1.20% of Shares); Pollara Pty Ltd (representing 1,712,085 Shares being approximately 1.11% of Shares); Garrison Holdings Pty Ltd (representing 1,308,750 Shares being approximately 0.85% of Shares); McCusker Holdings Pty Ltd (representing 1,000,000 Shares being approximately 0.65% of Shares); Mr Anthony John Power & Susan Janet Power ATF The Power Super Fund (representing 940,000 Shares being approximately 0.61% of Shares).

Question	Answer
10 What choices do I have as a Shareholder?	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"> • ACCEPT the Offer. Your Non-Affiliated Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal; • sell your Shares on market (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • reject the Offer, by doing nothing. <p>See section 3.8 of this Target's Statement for further details.</p>
11 How do I ACCEPT the Offer?	<p>To ACCEPT the Offer, you should follow the instructions set out in section 8.4 of the Bidder's Statement and printed on the acceptance form that accompanies the Bidder's Statement.</p>
12 Can I accept the Offer for part of my shareholding?	<p>No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer for all of the Shares held by you.</p>
13 If I accept the Offer now, can I withdraw my acceptance?	<p>You may only withdraw your acceptance in certain prescribed circumstances, such as where Sea Harvest varies the Offer in a way that postpones the time when Sea Harvest is required to satisfy its obligations by more than one month. See section 4.9 of this Target's Statement for further details.</p>
14 When does the Offer close?	<p>The Offer is presently scheduled to close at 5.00 pm (Perth time) on 5 April 2019, but the Offer Period can be extended in certain circumstances.</p> <p>See section 4.6 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>
15 What happens if the consideration payable under the Offer is increased?	<p>If you accept the Offer and the Offer Price is subsequently increased and the Offer becomes unconditional, you will receive the increased price for your Shares.</p>
16 What happens if a Superior Proposal emerges?	<p>The Non-Affiliated Directors will carefully consider any competing proposal and will advise you whether the competing proposal affects their recommendation that you accept the Offer in the absence of a Superior Proposal. Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a Superior Proposal if one emerges, except in certain limited circumstances.</p>

17 What are the Conditions to the Offer?

The Offer is subject to a range of outstanding Conditions including:

- Sea Harvest and its associates together having a Relevant Interest in at least 90% of Mareterram Shares by the end of the Condition Period;
- no regulatory actions, of various kinds, occurring during the Condition Period (subject to certain exceptions);
- Mareterram not terminating (other than for cause) and James Clement not resigning or providing notice of resignation during the Condition Period;
- Mareterram not making any material acquisitions, disposals or new commitments for an amount in aggregate greater than \$100,000 (subject to certain exceptions) during the Condition Period;
- no Prescribed Occurrence occurring in relation to Mareterram during the Condition Period;
- no failure to file a material document required by law or the ASX Listing Rules and such filings being not materially incorrect or misleading;
- no event, change or condition occurs, is announced or becomes known to Sea Harvest (whether or not it becomes public) during the Condition Period where that event, change or condition has or has resulted in, or would reasonably be expected to have or result in a material change or deterioration in the business, financial or trading position, profits or prospects of the Mareterram Group (taken as a whole), subject to certain exceptions;
- no third party exercising or purporting to exercise any rights under an agreement with any Mareterram Group Entity during the Condition Period which results in or could reasonably be expected to result in any moneys borrowed in excess of \$100,000 being repayable, any agreement being terminated or modified, all or substantially all of the assets of any Mareterram Group Entity being sold or transferred or the business of any Mareterram Group Entity being materially adversely affected;
- no person commencing bona fide litigation against any Mareterram Group Entity during the Condition Period which may reasonably result in a judgement of more than \$100,000 (individually or collectively);
- various restrictions on the conduct of Mareterram Group Entities during the Condition Period (subject to certain exceptions);
- the Independent Expert being of the opinion that the Offer is “fair and reasonable” or “not fair but reasonable” to Shareholders (and does not change that opinion during the Condition Period) and the Non-Affiliated Directors not changing, withdrawing or modifying their recommendation that Shareholders accept the offer in the absence of a Superior Proposal;
- NAB:
 - confirming that it will not: (i) cancel or change the pricing or terms of the Financing Agreement (including security arrangements or guarantees); or (ii) cancel a facility or declare any outstanding amount due and payable; and
 - extending the repayment date for Mareterram's corporate receivables finance facility under the Financing Agreement to a date no earlier than 28 February 2020; and
- During the Condition Period, Mareterram seeking an amendment to the Carnarvon Boat Harbour Leases such that there will only be a deemed assignment under the leases if there is a change in control of SHGL or Brimstone.

The Conditions are set out in full in section 8.8 of the Bidder's Statement

Question	Answer
	and summarised in section 4.2 of this Target's Statement.
18 What happens if the Conditions are not satisfied or waived?	If the Conditions are not satisfied or waived before the Offer closes, ² the Offer will lapse and acceptances will be cancelled. You would then be free to deal with your Shares even if you had accepted the Offer.
19 When will Sea Harvest announce the status of the conditions of the Offer?	Sea Harvest is required to give a Notice of Status of Conditions not more than 14 days and not less than 7 days before the end of the Offer Period (which is subject to change in accordance with the Corporations Act). See section 4.4 of this Target's Statement for further details.
20 When will I be paid if I accept the Offer?	If you accept the Offer and the Offer becomes unconditional, Sea Harvest will pay you the consideration under the Offer by the earlier of: <ul style="list-style-type: none"> • one month after the later of: (i) receipt of your valid acceptance and necessary transfer documents; and (ii) the date on which the Offer becomes unconditional; or • 21 days after the end of the Offer Period. See section 4.10 of the Target's Statement for further details on when you will be sent your consideration.
21 What are the tax consequences of accepting the Offer?	A general outline of the Australian tax consequences of accepting the Offer is set out in section 6 of the Bidder's Statement. As that section provides a general overview only, Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.
22 Do I pay brokerage or stamp duty if I accept?	You will not pay stamp duty on the disposal of your Shares should you accept the Offer. If your Shares are held on Mareterram's issuer sponsored sub-register in your name and you deliver them directly to Sea Harvest, you will not incur any brokerage in connection with your acceptance of the Offer. If your Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.
23 What happens if I do nothing?	You will remain a Shareholder. However, Sea Harvest has stated that if it acquires 90% or more of Shares and becomes entitled to compulsorily acquire all Shares, it intends to do so. See section 4.12 of this Target's Statement for more details. If Sea Harvest acquires less than 90% of Shares and the Offer becomes unconditional, you will remain a minority Shareholder in Mareterram. The implications of this are described in section 5.6 of this Target's Statement.

² In the case of the Condition relating to Prescribed Occurrences, by the end of the third Business Day after the end of the Offer Period, but only to the extent the Prescribed Occurrence is the same as the conditions set out in section 652C(1) or (2) of the Corporations Act.

Question	Answer
24 Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call the Company Secretary on +61 8 9435 6500 between 8.30 am and 5.00 pm (Perth time) on Business Days.

3 Directors' recommendation and intentions

3.1 Directors of Mareterram

As at the date of this Target's Statement, the Directors of Mareterram are:

Name	Position
David Lock	Chairman
James Clement	Managing Director and CEO
Mark Pitts	Non-Executive Director
Felix Ratheb	Non-Executive Director
Fred Robertson	Non-Executive Director
Muhammad Brey	Non-Executive Director
Gregory Roberts-Baxter	Non-Executive Director

The Board has established an Independent Board Committee, which has the scope of authority to, among other things, review, consider and evaluate the terms of the Offer. As at the Last Practicable Date, the members of the Independent Board Committee are David Lock, Mark Pitts and Gregory Roberts-Baxter.

For the purposes of this Target's Statement, the Non-Affiliated Directors of Mareterram are the Directors of Mareterram who are not associated with the Sea Harvest Group, being David Lock, Mark Pitts, Gregory Roberts-Baxter and James Clement.

Due to Mr Felix Ratheb, Mr Fred Robertson and Mr Muhammad Brey being directors of SHGL, the Board has determined that it is not appropriate for them to make a recommendation in respect of the Offer and those Directors have not participated in the deliberations of the Non-Affiliated Directors in respect of the Offer.

3.2 Unanimous views in respect of the Offer

Your Non-Affiliated Directors are unanimous in the view that the Offer should be considered by Shareholders given that it represents an attractive premium to the Share price prior to the Announcement Date.

The recommendations of each Non-Affiliated Director and reasons for them are set out below.

In considering whether to accept the Offer, your Non-Affiliated Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Offer and taxation advice on the effect of accepting the Offer.

3.3 Non-Affiliated Directors' recommendation to **ACCEPT** the Offer

Having considered the advantages and disadvantages of the Offer, each of the Non-Affiliated Directors consider that the Offer is in the best interests of Shareholders and accordingly recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal.

3.4 No recommendation

Mr Felix Ratheb, Mr Fred Robertson and Mr Muhammad Brey, in their capacity as Directors of Mareterram, make no recommendation to Shareholders in relation to the Offer due to their direct and indirect interests in the Sea Harvest Group.

Each of Messrs Ratheb, Robertson and Brey:

- are directors of SHGL; and
- are not members of the Independent Board Committee and have not been involved in the preparation or authorisation of this Target's Statement. Each have only consented to statements directly attributed to them personally in this Target's Statement.

3.5 Non-Affiliated Directors' reasons for their recommendation

The Non-Affiliated Directors have considered in detail the advantages, disadvantages and merits of the Offer.

In making their recommendation, the Non-Affiliated Directors have resolved that the advantages of the Offer outweigh the disadvantages of it. The reasons for the Non-Affiliated Directors' recommendation are set out in **section 1** of this Target's Statement, being:

- the Offer represents an attractive premium to recent market prices for Mareterram Shares;
- the Offer provides cash consideration at an attractive and certain value compared to the risks and uncertainties associated with remaining a Shareholder in the Company;
- remote likelihood of a Superior Proposal;
- the Independent Expert has concluded that the Offer is not fair but reasonable to Non-Associated Shareholders; and
- there are risks in doing nothing and not accepting the Offer.

3.6 Intentions of the Non-Affiliated Directors in respect of their own Shares

Details of the Relevant Interests of the Directors are set out in **section 6.2** of this Target's Statement.

As at the date of this Target's Statement, each Non-Affiliated Director intends to accept the Offer in relation to any Mareterram Shares they own or control, in the absence of a Superior Proposal, as soon as practicable on the day that is 21 days after the release of the Target's Statement.

3.7 Independent Expert's Report

The Independent Board Committee has appointed an Independent Expert, RSM Corporate Australia Pty Ltd, to prepare an Independent Expert's Report opining on whether the Offer is fair and reasonable to Non-Associated Shareholders.

The Independent Expert has provided the Independent Expert's Report to Mareterram, which concludes that the Offer is not fair but reasonable. A copy of the Independent Expert's Report is attached to this Target's Statement as Annexure 1.

The Independent Expert's Report is an important document that contains information relevant to your decision in relation to the Offer. The Non-Affiliated Directors encourage you to consider the Independent Expert's Report as part of your assessment of the Offer.

3.8 Your choices as a Shareholder

As a Shareholder you have three choices currently available to you:

(a) ACCEPT the Offer

Section 8.4 of the Bidder's Statement contains details of how to accept the Offer.

If you decide to accept the Offer, your acceptance must be received before the close of the Offer Period at 5.00 pm (Perth time) on 5 April 2019 unless the Offer Period is extended in accordance with the Corporations Act.

This is what the Non-Affiliated Directors recommend you do in the absence of a Superior Proposal.

(b) Sell your Shares on market

Shareholders can sell their Shares on market for the market price at the time (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance). The latest price for Shares may be obtained from the ASX website www.asx.com.au.

Shareholders who sell their Shares on market may be liable for CGT and may incur a brokerage charge. Shareholders who wish to sell their Shares on market should contact their broker for information on how to effect that sale.

(c) Reject the Offer and do nothing

If you do not wish to accept the Offer or sell your Shares on market, you can choose to do nothing. By doing nothing you will continue to remain a Shareholder. Shareholders should note that if Sea Harvest acquires 90% of Shares during or at the end of the Offer Period, Sea Harvest will be entitled to compulsorily acquire the Shares it does not already own. See **section 4.12** of this Target's Statement for more details.

4 Key features of the Offer

4.1 Consideration under the Offer

The consideration being offered by Sea Harvest is \$0.25 cash for each Share.

4.2 Conditions to the Offer

The Offer is subject to a number of conditions which are set out in full in section 8.8 of the Bidder's Statement.

By way of summary, the outstanding conditions to the Offer include:

- Sea Harvest and its associates together having a Relevant Interest in at least 90% of Mareterram Shares by the end of the Condition Period;
- no regulatory actions, of various kinds, occurring during the Condition Period (subject to certain exceptions);
- Mareterram not terminating (other than for cause) and James Clement not resigning or providing notice of resignation during the Condition Period;
- Mareterram not making any material acquisitions, disposals or new commitments for an amount in aggregate greater than \$100,000 (subject to certain exceptions) during the Condition Period;
- no Prescribed Occurrence occurring in relation to Mareterram during the Condition Period;
- no failure to file a material document required by law or the ASX Listing Rules and such filings being not materially incorrect or misleading;
- no event, change or condition occurs, is announced or becomes known to Sea Harvest (whether or not it becomes public) during the Condition Period where that event, change or condition has or has resulted in, or would reasonably be expected to have or result in a material change or deterioration in the business, financial or trading position, profits or prospects of the Mareterram Group (taken as a whole), subject to certain exceptions;
- no third party exercising or purporting to exercise any rights under an agreement with any Mareterram Group Entity during the Condition Period which results in or could reasonably be expected to result in any moneys borrowed in excess of \$100,000 being repayable, any agreement being terminated or modified, all or substantially all of the assets of any Mareterram Group Entity being sold or transferred or the business of any Mareterram Group Entity being materially adversely affected;
- no person commencing bona fide litigation against any Mareterram Group Entity during the Condition Period which may reasonably result in a judgement of more than \$100,000 (individually or collectively);
- various restrictions on the conduct of Mareterram Group Entities during the Condition Period (subject to certain exceptions);
- the Independent Expert being of the opinion that the Offer is "fair and reasonable" or "not fair but reasonable" to Shareholders (and does not change that opinion during the Condition Period) and the Non-Affiliated Directors not changing, withdrawing or modifying their recommendation that Shareholders accept the offer in the absence of a Superior Proposal;
- NAB:
 - confirming that it will not: (i) cancel or change the pricing or terms of the Financing Agreement (including security arrangements or guarantees); or (ii) cancel a facility or declare any outstanding amount due and payable; and

- extending the repayment date for Mareterram's corporate receivables finance facility under the Financing Agreement to a date no earlier than 28 February 2020; and
- During the Condition Period, Mareterram seeking an amendment to the Carnarvon Boat Harbour Leases such that there will only be a deemed assignment under the leases if there is a change in control of SHGL or Brimstone.

As at the date of this Target's Statement, Mareterram is not aware of any act, omission, event or fact that would result in any of the Conditions to the Offer being triggered (or not being satisfied, as appropriate).

4.3 Implications of Conditions not being satisfied

Any Conditions which are not satisfied (or triggered, as appropriate) may be waived by Sea Harvest.

If, at the close of the Offer Period, any Condition has not been satisfied (or has been triggered) and has not been waived³, the Offer will lapse.

If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Shares as you see fit.

4.4 Notice of Status of Conditions

Section 8.11 of the Bidder's Statement indicates when Sea Harvest will give a Notice of Status of Conditions.

Sea Harvest is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as Sea Harvest knows, any of the Conditions have been fulfilled; and
- Sea Harvest's voting power in Mareterram.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Sea Harvest is required, as soon as practicable after the extension, to give a notice to the ASX and Mareterram that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Sea Harvest must, as soon as practicable, give the ASX and Mareterram a notice that states that the particular Condition has been fulfilled.

As at the date of this Target's Statement, Sea Harvest has not given notice that any of the Conditions have been fulfilled.

4.5 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance from 4 March 2019 until 5.00 pm (Perth time) on 5 April 2019.

The circumstances in which Sea Harvest may extend or withdraw the Offer are set out in **section 4.6** and **section 4.7** respectively of this Target's Statement.

³ In the case of the Condition relating to Prescribed Occurrences, by the end of the third Business Day after the end of the Offer Period, but only to the extent the Prescribed Occurrence is the same as the conditions set out in section 652C(1) or (2) of the Corporations Act.

4.6 Extension of the Offer Period

Sea Harvest may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in **section 4.4** of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the Conditions are fulfilled or freed), Sea Harvest may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Sea Harvest improves the consideration offered under the Offer. If this occurs, the Offer Period is automatically extended so that it ends 14 days after the event occurs.

4.7 Withdrawal of Offer

Sea Harvest may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Sea Harvest may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

4.8 Effect of acceptance

The effect of acceptance of the Offer is set out in section 8.7 of the Bidder's Statement. Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Shares and the representations and warranties they give by accepting the Offer.

4.9 Your ability to withdraw your acceptance

You have limited rights to withdraw your acceptance of the Offer.

You may withdraw your acceptance of the Offer only if Sea Harvest varies the Offer in a way that postpones, for more than one month, the time when Sea Harvest needs to meet its obligations to pay for Shares under the Offer. This will occur if Sea Harvest extends the Offer Period by more than one month and the Offer is still subject to the Conditions at the time of your purported withdrawal.

4.10 When you will receive your consideration if you accept the Offer

Sea Harvest will provide the consideration due to you for your Shares you have accepted into the Offer by the earlier of:

- one month after the later of (i) receipt of your valid acceptance and necessary transfer documents and (ii) the date on which the Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the provision of the consideration. Full details of when you will be provided your consideration are set out in section 8.2 of the Bidder's Statement.

4.11 Effect of an improvement in consideration on Shareholders who have already accepted the Offer

If Sea Harvest improves the consideration offered under its takeover bid, all Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

4.12 Compulsory acquisition

(a) Compulsory acquisition following takeover

Sea Harvest has indicated in section 3.2 of the Bidder's Statement that if it satisfies the

required thresholds, it intends to compulsorily acquire any outstanding Shares.

Sea Harvest will be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of the Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- Sea Harvest and its associates have a Relevant Interest in at least 90% (by number) of the Shares; and
- Sea Harvest and its associates have acquired at least 75% (by number) of the Shares that Sea Harvest offered to acquire.

If this threshold is met, Sea Harvest will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Offer. Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Shares.

(b) Later compulsory acquisition by 90% holder

Even if Sea Harvest does not satisfy the compulsory acquisition threshold referred to in **section 4.12(a)** of this Target's Statement, it is possible that Sea Harvest will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Shares. Sea Harvest would then have rights to compulsorily acquire Shares not owned by it within 6 months of becoming the beneficial holder of 90% of Shares. Sea Harvest's offered price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

4.13 Effect of the Offer on Mareterram Options

Mareterram, SHGL and each Optionholder (other than Sea Harvest) have entered into a deed (**Option Cancellation Deed**) under which the Optionholder agreed to the cancellation of all of their Mareterram Options in exchange for SHGL paying to the Optionholder a cancellation fee (**Option Fee**).

The details of the Mareterram Options proposed to be cancelled are as follows:

Optionholder	Number	Exercise Price	Expiry Date	Option Fee
James Clement	5,000,000	\$0.30 ¹	30 June 2023	\$125,000
Molonglo Pty Ltd ATF The Peter Hutchinson Family Trust	2,500,000	\$0.20	18 December 2020	\$229,000

¹ These Mareterram Options are also subject to certain vesting conditions.

The cancellation of the above Mareterram Options is conditional on:

- ASX granting a waiver of ASX Listing Rule 6.23.2 to permit the relevant Mareterram Options (other than those held by Sea Harvest) to be cancelled for consideration (**Waiver**) or, if Mareterram is not granted the waiver on satisfactory terms, Shareholders approving (in accordance with and for the purposes of ASX Listing Rule 6.23.2) the cancellation of those Mareterram Options pursuant to the Option Cancellation Deeds; and
- the Offer being declared unconditional by Sea Harvest.

Further, the Option Cancellation Deed between the Company, SHGL and James Clement contains an additional condition that SHGL and its associates have a Relevant Interest in at least 90% of the Shares when the Offer closes.

Each Optionholder (other than Sea Harvest) has undertaken not to exercise their Mareterram Options pending cancellation of those options pursuant to the relevant Option

Cancellation Deed, other than with the prior written consent of Sea Harvest.

On 20 February 2019, ASX granted the Waiver and so that condition in the Option Cancellation Deeds has been fulfilled.

In addition to the Mareterram Options described in the table above, Sea Harvest holds 2,500,000 Mareterram Options with an exercise price of \$0.20 per Mareterram Option and an expiry date of 18 December 2020 (**Sea Harvest Options**). It is not proposed that the Sea Harvest Options will be cancelled in connection with the Offer.

5 Important information for Shareholders to consider

5.1 The Offer

The key features of the Offer are summarised in **section 4** of this Target's Statement.

The Offer is scheduled to close at 5.00 pm (Perth time) on 5 April 2019 (unless extended). To accept the Offer, follow the instructions outlined in section 8.4 of the Bidder's Statement and printed on the acceptance form that accompanies the Bidder's Statement.

5.2 Information about Sea Harvest

The information set out in this section of the Target's Statement in relation to Sea Harvest has been prepared by Mareterram using publicly available information (principally the Bidder's Statement) and has not been independently verified. Accordingly, Mareterram does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Further information on Sea Harvest can be found at section 1 of the Bidder's Statement.

(a) Overview of Sea Harvest

Sea Harvest, a wholly-owned subsidiary of SHGL, is the largest Shareholder with a 56.28% shareholding as at the date of this Target's Statement. The Sea Harvest Group is one of the largest, most diversified vertically integrated fishing, aquaculture and agri-businesses in South Africa.

Established in 1964 and employing over 3,800 people, the Sea Harvest Group harvests species including hake, horse mackerel, pilchards, anchovy, tuna, prawns, scallops, crabs and Spanish mackerel. In addition to its factory freezer and fresh fish trawlers, the Sea Harvest Group has a number of processing facilities across South Africa. The Sea Harvest Group's aquaculture operations spans abalone, mussels, oysters and trout and effective January 2019, the Sea Harvest Group diversified into agri-business with the acquisition of Ladismith Cheese Company Proprietary Limited.

With a current market capitalisation of approximately \$400 million, SHGL listed on the JSE in March 2017 (JSE code: SHG) and is controlled by Brimstone, a diversified investment holding company listed on JSE with investments in the food, healthcare, infrastructure, ICT and financial services sectors (JSE codes: BRT and BRN).

Further information on Sea Harvest can be found in section 1 of the Bidder's Statement.

(b) Overview of Brimstone

Brimstone is a diversified investment holding company incorporated in South Africa and listed on the JSE (JSE codes: BRT and BRN). Brimstone holds investments in the food, healthcare, infrastructure, ICT and financial services sectors.

Further information on Brimstone can be found in section 1.2 of the Bidder's Statement.

(c) Sea Harvest's funding arrangements related to the Offer

The maximum amount of cash that Sea Harvest will be required to pay under the Offer if acceptances are received for all Shares on issue as at the date of this Target's Statement is approximately \$16.9 million (**Maximum Cash Consideration**).

The Maximum Cash Consideration is calculated on the basis of acceptances in respect of 67,568,617 Shares (that is, all Shares on issue at the date of this Bidder's Statement other than those held by Sea Harvest).

Section 5 of the Bidder's Statement summarises how Sea Harvest intends to fund the consideration payable for the acquisition of Shares under the Offer.

In summary, the Bidder's Statement specifies that the consideration for the acquisition of Shares under the Offer will be paid by Sea Harvest having been wholly funded pursuant to intra-group arrangements with Sea Harvest's parent entity, SHGL. The Bidder's Statement

discloses that SHGL has agreed to provide, and will procure that its subsidiaries will provide, Sea Harvest with the necessary funds to pay (utilising available cash resources in the Sea Harvest Group) the Maximum Cash Consideration as well as the consideration payable pursuant to the Option Cancellation Deeds and any associated transaction costs incurred by Sea Harvest.

(d) Sea Harvest's intentions in respect of Mareterram

Section 3 of the Bidder's Statement sets out Sea Harvest's intentions in respect of the future business and operations of Mareterram (assuming that the Offer results in Sea Harvest acquiring Shares).

Shareholders should carefully consider these intentions when deciding whether to accept the Offer (noting that these are statements of current intention only and may change).

In summary:

- If Sea Harvest acquires a Relevant Interest in at least 90% of the Shares, it intends to:
 - continue the Mareterram business;
 - compulsorily acquire all Shares in which Sea Harvest does not have a Relevant Interest, in accordance with the Corporations Act; and
 - arrange for Mareterram to be removed from the official list of ASX.
- If Sea Harvest acquires a Relevant Interest in less than 90% of Shares and is therefore not entitled to compulsorily acquire the remaining Shares, it intends to:
 - continue the Mareterram business; and
 - consider whether it is appropriate to maintain Mareterram's listing on ASX.

(e) Supply and Distribution Agreement

Sea Harvest Corporation has entered into the Supply and Distribution Agreement in 2015 with Mareterram Trading. The agreement grants Mareterram Trading a renewable exclusive right to market, sell and distribute certain fish products, including products of Sea Harvest Corporation, within Australia until 4 August 2019. The agreement requires Mareterram Trading to sell (and Sea Harvest Corporation commits to deliver) certain minimum tonnages of the products to preserve the exclusive right.

5.3 Overview of Mareterram

(a) Overview

Mareterram is an Australian public company listed on the ASX. The Company's historical focus was on the research, development, manufacturing and marketing of flooring products. Following a recapitalisation process, the Company acquired, in December 2015, a commercial fishing business in Carnarvon, Western Australia that was owned by Nor-West Seafoods Pty Ltd, and the food services division of the Craig Mostyn Group, and relisted on ASX on 6 January 2016.

Mareterram now operates a vertically integrated agribusiness with two divisions:

- Commercial fishing division – the Company (through its subsidiary Mareterram Fisheries) holds 10 prawn fishing licenses (each with a Class B scallop endorsement and blue swimmer crab quota) for the Shark Bay Prawn Managed Fishery, together with 10 trawling vessels. The vessels target two main species, tiger and king prawns, and also retain several material by-catches including coral and endeavour prawns, blue swimmer crab, scallops, squid and cuttlefish. The Company also owns 13 licences and operates 1 wet line vessel in the Western Australian Mackerel Managed Fishery targeting Spanish Mackerel. The operations are supported by significant Company owned infrastructure, located on leasehold land in Carnarvon. This division has approximately 30 employees and the vessels

are operated by skippers and crew under share fishing arrangements.

- Food services division (**FSD**) – the Company (through its subsidiary Mareterram Trading) operates a food services business that distributes both imported and domestic frozen seafood, imported potato products and a domestic range of convenience foods under several brand names including Sea Harvest, Mydibel, Top Hat, Cape Haddie and Royal Greenland. It offers a range of imported seafood products including prawns, fish fillets, and a range of value added seafood products and distributes its products to national supermarket chains and food service distributors throughout Australia. The FSD also distributes seafood products caught by the commercial fishing division to both domestic and international markets. It has a national sales force of 7 people.

The Company believes it has created a platform to leverage opportunities within the seafood, broader agricultural and food sectors.

Further information regarding Mareterram can be located on the ASX website at www.asx.com.au using Mareterram's ASX code 'MTM' or Mareterram's website www.mareterram.com.au.

5.4 Historical financial information

The following historical financial information for Mareterram is extracted from the preliminary final report of Mareterram and its controlled entities for the year ended 31 December 2018 (**2018 Preliminary Final Report**) and the audit reviewed consolidated financial statements for the half-year ended 30 June 2018.

The financial information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The financial information presented below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments may have been made to headings and classifications of historical data to provide a consistent basis of presentation.

In the interval between the release of the 2018 Preliminary Final Report and the date of this Target's Statement, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Non-Affiliated Directors, to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years other than as disclosed in this Target's Statement (including the Independent Expert's Report) and the 2018 Preliminary Final Report and subsequent filings with ASX.

Further information regarding Mareterram is also available in the audited financial statements of Mareterram for the periods ended 31 December 2017, 30 June 2017 and 30 June 2016. Copies of these reports are on ASX's website at www.asx.com.au and in the "Investors & Media" section of the Mareterram website at www.mareterram.com.au.

(a) Financial information

The 2018 Preliminary Final Report was released to ASX on 31 January 2019. Further, Mareterram's 30 June 2018 audit reviewed half year consolidated financial statements were lodged with ASX on 28 August 2018, which includes the statement of financial position as at 30 June 2018 extracted below.

	31 December 2018 \$'000	30 June 2018 \$'000
Current Assets		
Cash and cash equivalents	106	186
Trade and other receivables	6,897	5,637
Inventories	6,995	11,516
Prepayments and other assets	2,329	4,249
Current financial derivatives	11	294
Total current assets	16,338	21,882
Non-current Assets		
Property, plant and equipment	14,629	13,073
Fishing licenses	29,099	29,099
Goodwill	2,292	2,292
Other intangible assets	505	428
Total non-current assets	46,525	44,892
Total Assets	62,863	66,774
Current liabilities		
Trade payables	1,606	3,608
Employee liabilities	643	693
Loans and borrowings	4,666	7,545
Finance liabilities	23	284
Current financial derivatives	55	24
Accruals and other payables	2,004	3,099
Other current liabilities	2,146	2,146
Total current liabilities	11,143	17,399
Non-current liabilities		
Loans and borrowings	15,260	14,000
Finance liabilities	37	49
Employee liabilities	126	133
Deferred tax liabilities	3,229	2,880
Other non-current liabilities	4,134	4,061
Total non-current liabilities	22,786	21,123
Total liabilities	33,929	38,522
Net Assets	28,934	28,252
Equity		
Issued capital	25,586	25,586
Reserves	1,266	1,448
Retained earnings	2,082	1,218
Total equity	28,934	28,252

Copies of these reports are on the ASX website at www.asx.com.au.

(b) Capital structure

As at the Last Practicable Date, the issued capital of Mareterram consisted of 154,535,198 fully paid ordinary shares and the following Mareterram Options:

Options	Exercise Price	Expiry Date
5,000,000	\$0.20	18 December 2020
5,000,000	\$0.30 ¹	30 June 2023

¹ These Mareterram Options are also subject to certain vesting conditions.

See **section 4.13** for details of the effect of the Offer on the Mareterram Options.

(c) Substantial shareholders

As at the Last Practicable Date, based on substantial shareholder notices lodged with the ASX and registry data, the substantial shareholders of Mareterram were:

Shareholder	Number of Shares	% of issued capital
Sea Harvest Group Limited	86,966,581	56.28%

5.5 Risks relating to Mareterram, its business and assets

In considering whether to accept the Offer, Shareholders should be aware of the risks relating to Mareterram, its business and assets. These risks include those specific to the industry in which Mareterram operates and general economic conditions which may affect the future operating and financial performance of Mareterram. Set out below is a summary of some, but not all, of the more material risks Mareterram believes may impact it and its prospects.

This **section 5.5** does not take into account the investment objectives, financial circumstances, taxation position or particular needs of individual Shareholders and is not exhaustive. Prior to deciding whether or not to accept the Offer, Shareholders should carefully consider the risk factors in this **section 5.5** and the Bidder's Statement and seek independent professional advice.

(a) Operational risks

Insurance

Insurance will be maintained within a range of coverage consistent with industry practices, however, no assurance can be given that such insurance will be available on commercial terms or that cover will be adequate to cover any claims. There is a risk that Mareterram may incur uninsured losses, which may affect its operational and financial performance.

Litigation

In the future, Mareterram may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Mareterram's reputation, divert its financial and management resources from operational matters or have a material adverse effect on Mareterram's future results and financial performance.

Counterparty and material contract risk

The financial performance of Mareterram is subject to it (and its various contractual counterparties) continuing to perform their respective obligations under various contracts. If Mareterram or one of its counterparties fails to adequately perform their contractual obligations this may result in loss of revenue, termination of particular contracts, disputes and/or litigation, all of which could impact Mareterram's operating and financial performance.

Change in accounting policies

Accounting policies in Australia may change which may affect Mareterram's reported earnings and its financial performance from time to time.

Seasonal and working capital risk

Mareterram's business operations are seasonal and require significant working capital to fund activities outside the fishing season and the build-up of inventory and debtors for the peak fishing and sales periods. There is a risk that the working capital requirements of the business increase due to seasonal factors, changes in the terms of trade or delays in receipt of revenue, which could place pressure on Mareterram's liquidity and financial position.

Specifically, the Non-Affiliated Directors note that based on current forecasts, Mareterram is highly likely to require additional debt or equity funding to meet ongoing working capital requirements in the short to medium term. Whilst the Non-Affiliated Directors believe Mareterram will be able to raise funds at the required time, if funding proceeds by way of equity raising, then depending upon the price of any raising, this may result in dilution for existing Shareholders

Future capital needs

Mareterram may require additional funds for working capital, capital expenditure or any future acquisitions or other initiatives which are part of its growth strategy. There is no guarantee that Mareterram will be able to maintain its debt facilities or obtain additional debt or equity finance when required, or if it can, on favourable or acceptable terms. As a result, Mareterram's ongoing financial position may be adversely affected.

Unexpected expenditure

Mareterram is currently unaware of any unforeseeable future expenditure; any unforeseeable future expenditure is likely to adversely affect Mareterram's financial position.

Risk that growth plans cannot be effected

Mareterram's future growth strategy is to build a diversified agribusiness with a suite of businesses in Australia (and potentially overseas). Mareterram will examine a range of growth options. There is no guarantee that suitable opportunities will be identified, or completed, or that Mareterram will be able to access additional capital required for this growth.

(b) Competition risks

Mareterram's products are exposed to domestic and international competition. There is no guarantee that Mareterram will be able to compete effectively with existing and new competitors in the future.

The Australian seafood market is highly competitive with numerous alternative suppliers of local seafood and a substantial volume of imported wild caught and aquaculture product. Small suppliers such as Mareterram face increasing competition in the food service channel from larger suppliers (due to the ongoing consolidation of the food wholesale and distribution sector) and in the retail channel from disintermediation by supermarket chains which are increasingly sourcing product direct from processors and seeking private label product.

In the export market, Mareterram faces strong competition from the increasing volume and improving quality of aquaculture products (particularly from Asia), as well as other established international wild capture seafood suppliers.

In addition, movements in the exchange rate have a material impact on the pricing and relative competitiveness of products in the seafood market. In general, a real depreciation of the domestic currency makes exports more competitive and raises the price of imports, thereby increasing demand for domestically produced foods and reducing demand for imports.

Substitute products (from both wild fisheries and aquaculture) and increased competitor activity in the supply chain could substantially increase supply into the target markets for Mareterram's products, impact on product pricing, and adversely affect Mareterram's performance.

(c) Product pricing

The financial performance of Mareterram will be influenced by the price it can obtain for its products, in both the domestic and export markets. Mareterram negotiates prices based on measures of supply and demand and the exchange rate position and it is therefore not able to guarantee the prices and terms of future transactions.

Substitute products from wild fisheries and aquaculture could substantially increase supply, in turn dampening demand and the prices for Mareterram's products.

There is a risk that a reduction in prices received by Mareterram for its products could have a material adverse impact on the operational results and financial performance of Mareterram.

(d) Consumer demand

There is a risk that changing economic conditions could cause consumers to reduce their consumption of Mareterram's products and substitute cheaper sources of seafood or protein.

Changes in consumer dietary preference or consumer preference generally for the products that Mareterram offers could change in a way that lowers demand for Mareterram's products and results in reduced prices. This could impact Mareterram's operating and financial performance.

(e) Key customers risk

Mareterram depends on securing and maintaining major customers and placing product into the market at competitive prices to achieve acceptable margins and trading terms. It is not possible to guarantee the renewal and continuation of existing supply agreements with these key customers.

The loss of any significant customer, whether through its bankruptcy, failure to secure or maintain a relationship, breach of any terms of trade, or other factors may impact Mareterram's market share, sales volumes and operation and financial performance.

(f) Seasonal and environmental risks

As an agribusiness, Mareterram is exposed to volatility in supply caused by seasonal weather and environmental conditions which impact on the harvest of various seafood and vegetables. There is a risk that changes in temperatures, storms, floods, together with natural variations and external shocks in marine ecosystems could disrupt fish stocks and biomass growth in the sources fisheries for Mareterram's products.

Adverse environmental conditions can negatively impact the survival of crustaceans and fish, and restrict their growth. There is a risk that environmental events and changes in conditions could cause short, medium or long-term interruptions to Mareterram's operations and supply chain which could materially impact Mareterram's cash flows, financial performance and operations results.

In the future, weather and climate issues that could adversely affect Mareterram may arise with greater frequency or may be less predictable due to the effects of climate change. The consequential effect on water temperatures and conditions in the fisheries is expected to impact on events such as the lifecycle timing of various species as to when they reproduce and it may also impact on growth rates either increasing or decreasing sizes in different species. While there are various climate change adaptations aimed to moderate or cope with the effect of climate change by reducing vulnerability of fish stocks and habitat, these measures may not be effective to mitigate operational and financial performance and are beyond Mareterram's control.

(g) Security of supply chain

There is a risk that the supply chain for one or more of Mareterram's products could be materially disrupted with the result that sufficient quantities of Mareterram's products are not available or delivered on time. This could result from the occurrence of a natural disaster or disease that affects the suppliers' ability to catch and deliver seafood, as well as changes in the regulation of the suppliers' fishing operations, and reductions in the allowable catch limits applying to those suppliers.

(h) Key suppliers risk

Mareterram depends on securing and maintaining key suppliers and agencies.

The financial performance of Mareterram is subject to the performance of supply obligations under contracts and arrangements with key suppliers.

If Mareterram or one of its counterparties fails to adequately perform its obligations this may result in the loss of supply, inability to service sales demand, termination of contract, disputes and litigation, all of which could impact Mareterram's operating and financial performance.

The loss of any significant supplier, whether through its bankruptcy, failure to secure or maintain a relationship, breach of any contractual provision or terms of trade, or other factors may impact Mareterram's market share, sales volumes and operation and financial performance.

(i) Disease risk

There is a risk that an outbreak of disease in the fisheries in which Mareterram or its suppliers will operate may result in lower yields which could have material adverse impact on operational and financial performance of Mareterram.

(j) Food safety, handling and product quality risks

As for all food producers, Mareterram is exposed to the risk of product contamination and product recalls. There is also a risk that Mareterram's product could cause a serious food poisoning incident as a result of an operational lapse in food safety or sanitation procedures or malicious tampering.

The occurrence of a serious food poisoning incident could have significant consequences for Mareterram and may involve:

- (a) a loss of consumer trust in the products that may result in reduced revenues; or
- (b) payment to affected consumers of some form of compensation and to the relevant food authorities of some form of penalty or fine.

Seafood in particular is a highly perishable product unless handled with strict processing, packing, storage and transport protocols. A reduction in product quality has a material impact on the recoverable price for the end product and may adversely impact Mareterram's operating or financial performance.

The implementation of strict quality control policies, high levels of training for all staff handling and processing product, and regular detailed sampling programs will be required to monitor food safety or sanitation procedures and product quality and mitigate this risk.

There is also the risk that actions of Mareterram's contractors could compromise the hygiene and safety of Mareterram's products after they have left Mareterram's possession.

Contamination or deterioration in quality caused by a contractor has the potential to damage to Mareterram's brand or reputation and adversely impact Mareterram's operating or financial performance.

(k) Reputation risk

There is a risk that some incident or development beyond the control of Mareterram could occur which would have the effect of reducing consumer confidence or preferences for Mareterram's products. Such incidents could include:

- (a) a widespread loss of consumer confidence in seafood;
- (b) health concerns associated with the consumption of seafood products from particular regions or production methods;
- (c) a widespread loss of consumer confidence in the food safety procedures in the seafood industry as a whole; and
- (d) concerns about fishing practices and the sustainability of wild caught fisheries.

The consequences of such an incident or development could be very significant for Mareterram, with impacts potentially including reduced revenues, loss of consumer trust in Mareterram's products, and reduced prominence of Mareterram's brands or reputation in customers' minds, all of which may adversely impact Mareterram's operating or financial performance.

(l) Reliance on key personnel

Mareterram's performance is dependent to a large extent on the efforts and abilities of the senior management team. While each of these executives is party to an employment contract, the executives may resign at any time and under the terms of the employment contracts each executive is permitted to terminate the contract in certain circumstances.

Further, there is only limited backup in Mareterram's management teams for each business if an executive leaves. The loss of the one or more other members of Mareterram's senior management team may have a material adverse impact on the operating and financial performance of Mareterram.

Mareterram's financial success is also dependent upon its ability to hire additional key personnel as necessary to meet its management, administration and other needs. While every effort is made to retain key employees and to recruit new personnel as the need arises, the loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on the operating and financial performance of Mareterram.

(m) Securing skippers and crew

The operation of Mareterram's fishing fleet requires the contracting of skippers and crew for each fishing season. There is a risk that suitably experienced and licensed skippers and crew will not be sourced and contracted for one or more vessels in a particular fishing season, which could prevent or restrict the operation of that vessel during that season. If one or more vessels were not to be operated for part or all of a season the volume of catch would be materially affected, in turn causing a decline in revenue for Mareterram and impacting its cash flows, financial performance and operational results.

(n) Diesel price

Diesel fuel is one of Mareterram's largest operating costs. The price of diesel is volatile and subject to market conditions. Mareterram will seek to manage its short term exposure to fluctuations in the crude oil price by forward hedging. This will allow Mareterram to hedge against short term changes in the diesel price. However, there is no guarantee that this will be sufficient to protect Mareterram's revenue in the event of significant fluctuations or sustained increase in crude oil prices. An increase in the price of diesel which cannot be hedged at a reasonable cost would have a materially negative impact on Mareterram's business operations and financial performance.

(o) Processing risk

Mareterram may consider opportunities to process product beyond the grading, sorting and packaging undertaken on the vessels, using contract processors for further value-added product. There is a risk that suitable third party processors are not available or acceptable terms for such third party processing cannot be agreed.

(p) Leased property

Mareterram and its subsidiaries will lease all the land and property that they use to facilitate Mareterram's business activities. Continuation of the leases will be subject to the relevant lessee complying with the terms of the leases.

The key leasehold interests for Mareterram will be the Carnarvon Small Boat Harbour Leases. These are with the Western Australian Department of Transport. The lease for lots A, B, C, M, N, A1, B1 and C1 (covering the harbour jetty, packing area, cold store, engineering workshop, net store and dry storage) expires on the 31 July 2020, with an option to renew for a further 5 years. The lease for lot E (covering the slipway) expires on 31 August 2021.

The Department of Transport has the right to terminate these leases if an event of default occurs (such as rent remaining unpaid for 14 days, a breach of a covenant (including environmental covenants) continuing for 14 days, certain insolvency events or the lessee does not actively and regularly use substantially the whole of the premises for purposes of carrying out its business for 60 consecutive days). There is a risk that either the Department of Transport will not renew one or both of the Carnarvon Small Boat Harbour Leases or one or both of them may be terminated, either of which will have a material adverse effect on the operating and financial performance of the Company.

(q) General regulatory and approvals risks

Mareterram is required to adhere to numerous legislative and regulatory requirements when undertaking its business. Regulatory areas which are of particular significance to Mareterram include fishing, export, import and quarantine, environment, occupational health and safety, and tariff and taxation laws. These and other regulations give rise to significant requirements and compliance costs for Mareterram.

There is a risk that non-compliance with such regulations, changes in the current regulations (or their interpretation), or the introduction of new laws or regulations could lead to fines being imposed, the revocation of approvals, permits or authorisations, increased compliance costs, and damage to Mareterram's reputation. These events could have a material adverse effect on Mareterram's costs, business model or competitive environment and in turn its operating or financial performance.

Various approvals, permits or other government authorisations will be required for Mareterram's future operations.

Obtaining approvals, permits or authorisations can be a time consuming and costly process and there is a risk that Mareterram may not obtain such approvals, permits or authorisations on acceptable terms, in a timely manner, or at all. Failure or delay in obtaining any required approvals, permits or authorisations may have a material adverse effect on Mareterram's business model or competitive environment and in turn its operating or financial performance.

(r) Fishing licenses and regulation in Western Australia

The Company is aware that the *Aquatic Resources Management Act 2016* (WA) is intended to replace the *Fish Resources Management Act 1994* (WA) Act and provide the primary legislative framework for the management for Western Australia's aquatic biological resources and fisheries.

A key feature of the legislation is a rights based framework under which the permit to fish (activity licence) is proposed to be separated from the access right by establishing resource shares. The resource shares will represent a proportion of the sustainable harvest and will generate a specific annual catch entitlement. Within the commercial sector, the annual catch entitlement and resource shares may be freely traded without a significant degree of government intervention. Resource shares will become the basis for the allocation of a proportion of the total allowable catch to fishing sections (e.g. commercial, recreational, customary), which in turn will drive the management of overall exploitation levels.

While certain sections of the legislation came into effect in 2016, it is not known when the remainder of the legislation will come into force.

The exact impact on Mareterram is therefore not known but there is the potential for this change in regulation to adversely impact the Company's operational and financial performance.

(s) Closure of the fisheries

The fisheries in which Mareterram operates are subject to seasonal closure, monthly moon closures and specific area closures which reduce the effective fishing effort in those fisheries. In addition, a significant environmental or biological event may have a substantial impact on the sustainable biomass of the fisheries in which Mareterram operates and could cause an extended or permanent closure. These closures will materially affect the volume of catch in any season.

(t) Export and import risks

To export seafood products out of the country, or to import seafood products into the country, authorisations and permits are required from the Australian Government and, in some cases, certain State Governments. Mareterram will need to apply for these authorisations and permits and there is a risk that the relevant Governments will not issue these authorisations and permits to Mareterram on acceptable terms, in a timely manner or at all. Failure or delay in obtaining any required authorisations and permits for export and import could have a materially negative impact on Mareterram's business operations and financial performance.

Further, in order to remain export eligible, fish and fish products must only be transported between, and prepared and stored at, registered export establishments. In order to export any of its seafood products, Mareterram will be reliant on the third parties that provide transport and storage services to it being appropriately registered. As these services are not currently the subject of written supply agreements it is not possible to guarantee consistency and availability of such arrangements.

Failure or difficulties in obtaining transport or storage services with registered export establishments will materially restrict Mareterram's ability to export its product and this could have a materially negative impact on Mareterram's business operations and financial performance.

(u) Marine Stewardship Council certification

The Marine Stewardship Council (**MSC**) is an independent, global, non-profit organisation that was established to recognise, through a certification programme, well-managed and sustainable fisheries and to curb overfishing.

Seafood products harvested in accredited fisheries can display the blue MSC eco-label on the basis that the seafood can be traced back through the supply chain to that fishery that has been certified against the MSC standard.

The Shark Bay Prawn Managed Fishery is certified by the MSC and license holders in the Shark Bay Prawn Managed Fishery are eligible to use the MSC logo.

There is no guarantee that the MSC certification can be renewed or maintained in the future.

Failure to obtain or maintain this certification or the ability to use the MSC logo may adversely affect Mareterram's market strategy and product positioning and therefore sales volumes of the affected products. This has the potential to adversely impact on Mareterram's business operations and financial performance.

(v) Occupational health and safety risk

The commercial fishing industry is a high risk industry. Given the nature of the industry that Mareterram operates in, Mareterram's employees and contractors are at risk of workplace accidents and incidents.

In the event that an employee of Mareterram is injured during the course of their employment, Mareterram may be liable for penalties or damages under the relevant occupational health and safety regulations. This risk has the potential to adversely impact the operating and financial performance of Mareterram.

(w) General risks

In addition to risks relating to Mareterram, its business and assets, there are general risks associated with an investment in securities markets. Such risks may affect the value of Mareterram Shares which may fluctuate with movements in equity capital markets in Australia and overseas. Such movements may be caused by, amongst other things, the economic conditions in Australia and overseas, investor sentiment in local and international stock markets, consumer sentiment, changes in fiscal, monetary, regulatory and other government policies, global political and economic stability, interest and inflation rates and foreign exchange rates.

5.6 Minority ownership consequences

The Offer is subject to a minimum acceptance condition of 90%. If Sea Harvest waives the minimum acceptance condition and does not acquire 90% or more of the Shares then, assuming all other Conditions to the Offer are fulfilled or waived, Sea Harvest will not be entitled to compulsorily acquire the outstanding Shares, but will maintain its majority shareholding in Mareterram.

In these circumstances, Shareholders who do not accept the Offer will remain minority shareholders in Mareterram with Sea Harvest remaining a controlling Shareholder. Any increase to Sea Harvest's existing majority shareholding has a number of possible implications, including:

- Sea Harvest will remain in a position to cast the majority of votes at a general meeting of Mareterram. This enables Sea Harvest to control the composition of Mareterram's Board and senior management, determine Mareterram's dividend policy and control the strategic direction of the businesses of Mareterram and its subsidiaries;
- the Share price may fall immediately following the end of the Offer Period;
- liquidity of Shares may be lower than at present;
- Sea Harvest may consider whether to seek to have Mareterram removed from the official list of ASX. Sea Harvest's ability to do so will depend on the number of remaining Shareholders. If this occurs, Shares will not be able to be bought or sold on the ASX;
- if Sea Harvest acquires 75% or more of the Shares it will be able to pass a special resolution of Mareterram. This will enable Sea Harvest to, among other things, change Mareterram's constitution; and
- it may be unlikely that a subsequent takeover bid for Mareterram will emerge at a later time from a third party.

5.7 Alternatives to the Offer

As at the date of this Target's Statement, the Non-Affiliated Directors are not aware of any alternative proposal that is available to be accepted by Shareholders.

5.8 Risks associated with accepting the Offer

(a) You will no longer have exposure to Mareterram's assets and operations

If you accept the Offer and the Offer becomes unconditional, you will no longer be a Shareholder. This will mean that you will not participate in any potential upside that may result from Mareterram remaining a stand-alone entity, including any increase in the Share price or any benefits that may ultimately be realised by Mareterram.

You will also cease to have a right to influence the future direction of Mareterram through your voting rights as a Shareholder.

(b) You will not be able to sell your Mareterram Shares on the market

If you accept the Offer, you will no longer be able to trade your Shares on the market (subject to statutory withdrawal rights). This may be an extended period of time given the Offer remains subject to certain Conditions. There is a possibility that the Share price may exceed the price under the Offer during part of this period.

(c) Possibility of a Superior Proposal emerging

Once you have accepted the Offer, you will not be able to accept into any Superior Proposal that may emerge, except in certain limited circumstances.

5.9 Taxation consequences of accepting the Offer

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation consequences of accepting the Offer are set out in section 6 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances. Mareterram, its Directors and advisers take no responsibility for the contents of the Bidder's Statement.

6 Additional information

6.1 Deal protection arrangements

On 5 February 2019, Mareterram announced that it had entered into the Bid Implementation Agreement with SHGL. Pursuant to the Bid Implementation Agreement, Mareterram has agreed to customary exclusivity arrangements including “no shop” and “no talk” restrictions, notification and matching rights until the end of the Offer Period, subject to a customary fiduciary exception to allow it to consider competing proposals. Below is a summary of these and other material Bid Implementation Agreement terms. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Mareterram and SHGL under the Bid Implementation Agreement.

In summary, until the end of the Offer Period:

- (a) No shop: Mareterram must not (and must ensure that each of its related bodies corporate or representatives does not) solicit, invite, encourage or initiate any enquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, a Competing Proposal, or communicate any intention to do any of those things.
- (b) No talk: Mareterram must not (and must ensure that each of its related bodies corporate or representatives does not):
 - (i) participate in any negotiations or discussions or provide any information to any person with respect to any enquiry, expression of interest, offer or proposal by any person to make a Competing Proposal;
 - (ii) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal;
 - (iii) disclose any non-public information about the business or affairs of any Mareterram Group entity to a third party (other than a government agency) with a view to obtaining or which may be reasonably expected to lead to receipt of a Competing Proposal, other than in the ordinary course of business or as required by law; or
 - (iv) communicate to any person an intention to do anything referred to in (i) to (iii) above.
- (c) Notification of approaches: Mareterram must immediately notify SHGL if it or any of its representatives receives any unsolicited approach with respect to any Competing Proposal from any third party, with such notification to include a summary of the material terms of the Competing Proposal, including but not limited to, the details of the proposed consideration, conditions (including the status of funding), timing and break fee (if any), but not the identity of the third party.

Further, Mareterram must:

- (i) not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) in relation to the Competing Proposal with a third party; and
- (ii) use its best endeavours to procure that none of its Non-Affiliated Directors change their recommendation in favour of the Offer to publicly recommend a Competing Proposal,

unless, Mareterram has complied with the notification obligation described above and given SHGL at least 5 business days to propose an amendment to the terms of the Offer or propose any other transaction so that the Offer (as amended) would provide at least an equivalent outcome (including with respect to price) for Shareholders when compared to the Competing Proposal (**Counter Proposal**).

If the Non-Affiliated Directors acting in good faith determine the terms and conditions of the Counter Proposal taken as a whole provides at least an equivalent outcome (including with respect to price) for Non-Associated Shareholders when compared to the Competing Proposal, then Mareterram and SHGL must use all reasonable

endeavours to agree and enter into such documentation as is necessary to give effect to and implement the Counter Proposal as soon as reasonably practicable and Mareterram must use all reasonable endeavours to procure that the Non-Affiliated Directors unanimously recommend the Counter Proposal to Shareholders (which recommendation may be expressed as being subject to there being no Superior Proposal and the Independent Expert concluding that the Offer or Counter Proposal is fair and reasonable to Non-Associated Shareholders) and not recommend the Competing Proposal.

The notification of approaches obligations outlined above have repeat application so that if any further proposal is made after SHGL has made a Counter Proposal, SHGL will again have the right to match the further proposal.

The no talk and notification of approaches obligations above are subject to a fiduciary out, such that any action or inaction by Mareterram or any of its representatives is not prohibited by these obligations if the Non-Affiliated Directors determine in good faith and after consultation with external legal advisors that any action or inaction constitutes, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of the Non-Affiliated Directors.

A complete copy of the Bid Implementation Agreement was lodged with ASX on 5 February 2019 and can be obtained from Mareterram's website (www.mareterram.com.au) or under Mareterram's profile on www.asx.com.au.

6.2 Interests and dealings in Mareterram securities

(a) Interests in Mareterram securities

As at the Last Practicable Date, the Directors of Mareterram had the following Relevant Interests in Mareterram securities:

Director	Number of Shares (%)	Number of Options
David Lock	2,037,500 (1.32%)	Nil
James Clement ¹	325,000 (0.21%)	5,000,000
Mark Pitts	125,000 (0.08%)	Nil
Felix Ratheb ²	278,000 (0.18%)	Nil
Muhammad Brey ³	109,000 (0.07%)	Nil
Fred Robertson ⁴	1,087,000 (0.70%)	Nil
Gregory Roberts-Baxter	Nil (0.00%)	Nil

¹ See **section 4.13** for further details on the treatment of the Mareterram Options held by James Clement.

² Felix Ratheb is also the Managing Director and Chief Executive Officer of SHGL and a Director of Sea Harvest.

³ Muhammad Brey is also an Executive Director and the Chief Investment Officer of SHGL and a Director of Sea Harvest.

⁴ Fred Robertson is also Executive Chairman of Brimstone and Non-Executive Chairman of SHGL.

The Non-Affiliated Directors collectively have a Relevant Interest in 2,487,500 Shares (representing approximately 1.6% of all Shares on issue).

(b) Dealings in Mareterram securities

No Director has acquired or disposed of a Relevant Interest in any Mareterram securities in

the four-month period ending on the date immediately before the date of this Target's Statement.

(c) Intentions of the Non-Affiliated Directors in relation to the Offer

The intentions of the Non-Affiliated Directors in relation to the Offer and their own Shares are set out in **section 3.6** of this Target's Statement.

6.3 Interests and dealings in securities of SHGL

(a) Interests in SHGL's securities

As at the date of this Target's Statement, the following Directors had the following Relevant Interests in SHGL's securities:

Director	Number of shares	Number of options
Felix Ratheb	3,462,128	Nil
Fred Robertson	226,990	Nil
Muhammad Brey	1,047,092	Nil
Gregory Roberts-Baxter	5,690	Nil

Except as disclosed above, the Directors do not have any Relevant Interests in securities of SHGL.

(b) Dealings in the SHGL's securities

No Director has acquired or disposed of a Relevant Interest in any securities of SHGL in the four-month period ending on the date immediately before the date of this Target's Statement, except for:

Date	Name	Details
7 January 2019	Fred Robertson	Brimstone acquired 21,428,571 shares in SHGL at R14.00 per share. ¹ Fred Robertson is the Non-Executive Chairman of SHGL and Executive Chairman of Brimstone.

¹ Quoted currency is South African rand.

Except as otherwise set out in this Target's Statement, neither Mareterram nor any associate of Mareterram has acquired or disposed of a Relevant Interest in any securities in SHGL in the four-month period ending on the date immediately before the date of this Target's Statement.

6.4 Benefits and agreements

(a) Benefits in connection with retirement from office

Except as otherwise set out in this Target's Statement, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Mareterram or related body corporate of Mareterram.

(b) Agreements connected with or conditional on the Offer

Except as otherwise set out in this Target's Statement, there are no agreements made between any Non-Affiliated Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Shares.

(c) Benefits from the Bidder

Except as otherwise set out in this Target's Statement, none of the Non-Affiliated Directors have agreed to receive, or is entitled to receive, any benefit from the Bidder which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares.

(d) Interests of Directors in contracts with the Bidder

Mr James Clement has entered into an Option Cancellation Deed with Mareterram and SHGL pursuant to which Mr Clement is entitled to receive an amount of \$125,000 in consideration for the cancellation of all Mareterram Options held by him or on his behalf.

Further details of the Option Cancellation Deed and the Mareterram Options held by Mr Clement are contained in **section 4.13**.

Except as otherwise set out in this Target's Statement, none of the Non-Affiliated Directors have any interest in any contract entered into by the Bidder.

6.5 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based on or referable to other statements made by those persons in the form and context in which they are included.

Name	Named as	Reports or Statement
Each Director	a Director	The inclusion of statements made by them
RSM Corporate Australia Pty Ltd	Independent Expert	Independent Expert's Report
Automic Registry Services	Mareterram Share Registry	N/A
Each Shareholder named in item 7 of section 2	a Shareholder	The inclusion of statements made by them in item 7 of section 2

Each of the above persons

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by it; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with its consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules). In particular, see Mareterram's ASX announcement on 5 February 2019 and the Bidder's Statement. Pursuant to that Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement. Any Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statement which have been included pursuant to ASIC Class Order 13/521 may obtain a copy (free of charge) during the Offer Period by contacting Mareterram's Company Secretary between 8.30 am and 5.00 pm (Perth time) on Business Days on +61 8 9435 6500. The copy will be provided within 2 Business Days of the request.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to ASIC Corporations (Consents to Statements) Instrument 2016/72, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement also contains trading data obtained from CommSec and Euroz Securities without either of their consent.

6.6 Continuous disclosure

Mareterram is a disclosing entity under the Corporations Act and subject to regular reporting and disclosure obligations. Specifically, as an ASX-listed company, Mareterram is subject to the ASX Listing Rules which require continuous disclosure of any information Mareterram has that a reasonable person would expect to have a material or significant effect on the price or value of Shares.

Copies of announcements made by Mareterram may be obtained from the ASX website at www.asx.com.au and Mareterram's website at www.mareterram.com.au.

In addition, Mareterram will make copies of the following documents available for inspection at the Company's registered office at Suite 8, 7 The Esplanade, Mount Pleasant, Western Australia (between 9.00 am and 5.00 pm on Business Days):

- its annual report for the period ending 31 December 2017 (**2017 Annual Report**);
- its half-year report for the half-year ended 30 June 2018;
- its constitution; and
- any document lodged by Mareterram with ASX between the lodgement of its 2017 Annual Report on 27 February 2018 and the date of this Target's Statement. A list of these documents is included in **annexure 2**.

A copy of these documents may be requested to be provided free of charge by contacting the Company Secretary between 8.30 am and 5.00 pm (Perth time) on Business Days on +61 8 9435 6500.

Copies of documents lodged with ASIC in relation to Mareterram may be obtained from, or inspected at, an ASIC office.

6.7 Early dispatch of takeover documents

Mareterram has agreed that Sea Harvest may send the Bidder's Statement to Shareholders earlier than would otherwise be permitted under item 6 of section 633(1) of the Corporations Act.

6.8 No other material information

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

Your Non-Affiliated Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in the 2018 Preliminary Final Report;
- the information contained in Mareterram's annual reports and releases to ASX;
- in the documents lodged by Mareterram with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement, including the annexures to this Target's Statement.

The Independent Board Committee appointed RSM Corporate Australia Pty Ltd to prepare an Independent Expert's Report opinion on whether the Offer is fair and reasonable to Non-Associated Shareholders. The Independent Expert has provided the Independent Expert's Report to Mareterram, which concludes that the Offer is not fair but reasonable.

Your Non-Affiliated Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, your Non-Affiliated Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, your Non-Affiliated Directors have had regard to:

- the nature of the Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and
- the time available to Mareterram to prepare this Target's Statement.

7 Glossary and Interpretation

7.1 Glossary

In this Target's Statement defined terms have the meanings set out below:

Term	Meaning
\$, A\$ or AUD	Australian dollars
Acceptance Form	the form used to accept the Offer contained in the Bidder's Statement
Announcement Date	the date of the announcement of the Offer to ASX
ASIC	the Australian Securities and Investments Commission
ASX	ASX Limited or the Australian Securities Exchange, as appropriate
ASX Listing Rules	the listing rules of ASX
ASX Settlement	ASX Settlement Pty Limited
ASX Settlement Rules	the operating rules of the settlement facility provided by ASX Settlement
Bid Implementation Agreement	the takeover bid implementation agreement between Sea Harvest and Mareterram as attached to Mareterram's announcement dated 5 February 2019
Bidder or Sea Harvest	Sea Harvest International Proprietary Limited, a South African proprietary limited company with registration number 2012/130812/07
Bidder's Statement	the bidder's statement of Sea Harvest dated 28 February 2019
Board	the board of Directors of Mareterram
Brimstone	Brimstone Investment Corporation Limited, an investment holding company listed on the JSE under the share codes BRT and BRN with registration number 1995/010442/06. Brimstone is the controlling shareholder of SHGL
Business Day	a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday
Carnarvon Boat Harbour Leases	means the Tennereef Lease for Lots A, B, C, M, N, A1, B1 & C1 and the Nor-West Lease for Lots E & E1
CGT	capital gains tax

Term	Meaning
CHESS Holding	a holding of Shares which is registered on Mareterram's Share register being a register administered by ASX Settlement and which records uncertificated holdings of shares
Competing Proposal	<p>any expression interest, proposal, offer, transaction or arrangement by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms, would result in a third party:</p> <p>(a) directly or indirectly acquiring an interest, a Relevant Interest in or becoming a holder of:</p> <p>(i) more than 20% of the Shares; or</p> <p>(ii) the whole or the substantial part of a material part of the business or property of Mareterram or the Mareterram Group (in either case when considered in aggregate);</p> <p>(b) acquiring control of Mareterram; or</p> <p>(c) otherwise acquiring or merging (including by takeover bid, scheme of arrangement, capital reduction, reverse takeover bid, security buy-back, sale or purchase of assets, joint venture, partnership or dual listed company structure with Mareterram</p>
Conditions	the conditions set out in section 8.8 of the Bidder's Statement
Condition Period	the period beginning on 5 February 2019 and ending at the end of the Offer Period (both inclusive).
Controlling Participant	the meaning set out in the ASX Settlement Rules
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC)
Craig Mostyn	Craig Mostyn & Co Pty Ltd ACN 000 047 745
Craig Mostyn Group	Craig Mostyn and its subsidiaries
Director	a director of Mareterram
Independent Board Committee	The independent board sub-committee established by the Board to evaluate and respond to the Offer comprising David Lock, Mark Pitts and Gregory Roberts-Baxter as at the Last Practicable Date
Independent Expert	RSM Corporate Australia Pty Ltd
Independent Expert's Report	the report being prepared by the Independent Expert a copy of which is attached at Annexure 1
Issuer Sponsored Holding	a holding of Shares on Mareterram's issuer sponsored subregister

Term	Meaning
JSE	the Johannesburg Stock Exchange
Last Practicable Date	27 February 2019, being the last practicable date prior to lodgement of this Target's Statement
Mareterram or the Company	Mareterram Limited ACN 009 248 720
Mareterram Group	Mareterram and its Related Bodies Corporate
Mareterram Group Entity	any member of the Mareterram Group
Mareterram Trading	Mareterram Trading Pty Ltd ACN 607 380 389, a wholly-owned subsidiary of Mareterram which operates the food services division of the Mareterram Group (which was acquired from the Craig Mostyn Group)
Financing Agreement	the amended and restated financing agreement dated 26 November 2018 between NAB and each entity of the Mareterram Group and all associated financing and security documents
Mareterram Option	an option to subscribe or acquire one or more Shares as described in section 5.4(b)
Non-Affiliated Directors	the Directors who are considered independent of the Sea Harvest Group and who provided recommendations in this Target's Statement, being David Lock, Mark Pitts, Gregory Roberts-Baxter and James Clement
Non-Associated Shareholder	Shareholders other than the Sea Harvest Group
Notice of Status of Conditions	Sea Harvest's notice disclosing the status of the conditions to the Offer which is required to be given by subsection 630(3) of the Corporations Act
Offer	the offer by Sea Harvest for all Shares, the terms of which are contained in section 8 of the Bidder's Statement
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 8.3 of the Bidder's Statement
Offer Price	\$0.25 cash for each Share
Option Cancellation Deed	has the meaning given in section 4.13
Optionholder	a holder of Mareterram Options as set out in section 5.4(b)

Term	Meaning
Prescribed Occurrence	<p>the occurrence of any of the following:</p> <ul style="list-style-type: none"> (a) any Mareterram Group Entity converts all or any of its Mareterram Shares into a larger or smaller number of Mareterram Shares; (b) any Mareterram Group Entity resolves to reduce its share capital in any way or reclassify, combine, split, redeem or repurchase (directly or indirectly) any of its Mareterram Shares; (c) any Mareterram Group Entity enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) any Mareterram Group Entity issues Mareterram Shares (or other securities) or grants an option over its securities, or agrees to make such an issue or grant such an option other than Mareterram Shares issued on the exercise of Mareterram Options on issue as at the date of the Bid Implementation Agreement; (e) any Mareterram Group Entity issues, or agrees to issue, securities or other instruments convertible into Mareterram Shares or debt securities; (f) any Mareterram Group Entity disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; (g) any Mareterram Group Entity grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property; (h) any Mareterram Group Entity resolves to be wound up; (i) a liquidator or provisional liquidator of any Mareterram Group Entity is appointed; (j) a court makes an order for the winding up of any Mareterram Group Entity; (k) an administrator of any Mareterram Group Entity is appointed; (l) any Mareterram Group Entity executes a deed of company arrangement; or (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any Mareterram Group Entity.
Related Body Corporate	the meaning given to that term in the Corporations Act
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act
Sea Harvest or Bidder	Sea Harvest International Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2012/130812/07), a wholly owned subsidiary of SHGL
Sea Harvest Corporation	Sea Harvest Corporation Proprietary Limited (a corporation organised and existing under the laws of South Africa with registration number 2008/124147/07), a wholly owned subsidiary of SHGL
Sea Harvest Group	SHGL and each of its Related Bodies Corporate
SHGL	Sea Harvest Group Limited (a corporation organised and existing under the laws of South Africa with registration number 2008/001066/06).
Share or Mareterram Share	a fully paid ordinary share in the capital of Mareterram

Term	Meaning
Shareholder	a holder of one or more Shares
Superior Proposal	<p>a bona fide Competing Proposal which the Non-Affiliated Directors have determined, in good faith after receiving written advice from their external legal and financial advisers, is likely to be:</p> <p>(a) reasonably capable of being valued and completed in a timely fashion, taking into account all aspects of the Competing Proposal including any timing considerations, any conditions precedent or other matters affecting the probability of the Competing Proposal being completed, and the person making it; and</p> <p>(b) more favourable to Shareholders (as a whole) than the Offer (assuming it is completed), taking into account all the terms and conditions of the Competing Proposal (including, consideration, conditionality, funding, certainty and timing).</p>
Supply and Distribution Agreement	a supply and distribution agreement dated 4 August 2015 between Craig Mostyn and a member of the Sea Harvest Group, as amended by a letter of variation dated 2 October 2015 and novated to Mareterram Trading
Target's Statement	this document (including the annexures and the Independent Expert's Report), being the statement of Mareterram under Part 6.5 Division 3 of the Corporations Act
Voting Power	the meaning given to that term in section 610 of the Corporations Act

7.2 Interpretation

In this Target's Statement:

- Other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- Words of any gender include all genders;
- Words importing the singular include the plural and vice versa;
- An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- A reference to a section, clause, annexure and schedule is a reference to a section of, clause of and an annexure and schedule to this Target's Statement as relevant;
- A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement;
- A reference to time is a reference to Perth, Western Australia time unless otherwise stated.

8 Authorisation

This Target's Statement has been approved by a resolution passed by your Non-Affiliated Directors. Each of your Non-Affiliated Directors voted in favour of that resolution.

Signed for and on behalf of Mareterram:

28 February 2019

A handwritten signature in blue ink, appearing to read 'James Clement', is written over a horizontal dotted line.

James Clement
Managing Director and Chief Executive
Officer

Annexure 1 — Independent Expert's Report



MARETERRAM LIMITED

Financial Services Guide and Independent Expert's Report

27 February 2019

We have concluded that the Offer is Not Fair but is Reasonable

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing to you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. The majority of our directors are also partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of their business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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27 February 2019

The Independent Directors
Mareterram Limited
Unit 5, Capo D'Orlando Drive
South Fremantle WA 6162

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 On 5 February 2019, Mareterram Limited ("Mareterram" or "the Company") announced to the Australian Securities Exchange ("ASX") that the Company had entered in a binding Bid Implementation Agreement ("BIA") with Sea Harvest Group Limited ("Sea Harvest"), pursuant to which Sea Harvest (or an associated member of Sea Harvest and each of its Related Bodies Corporate ("Sea Harvest Group")) will make a conditional off-market cash offer to acquire 100% of the shares held by each Shareholder (other than Sea Harvest Group) for \$0.25 per Share ("Offer"). Sea Harvest has nominated Sea Harvest International Proprietary Limited to make the Offer, a wholly owned subsidiary of Sea Harvest.
- 1.2 Sea Harvest, through its wholly owned subsidiary Sea Harvest International Proprietary Limited, is the largest shareholder in Mareterram with a current shareholding of 56.28%. The Offer is conditional upon (amongst other things) Sea Harvest International Proprietary Limited acquiring a relevant interest in at least 90% of Mareterram shares. If Sea Harvest does acquire a relevant interest in at least 90% of Mareterram shares, it intends to compulsorily acquire all remaining Mareterram Shares and arrange for Mareterram to be removed from the official list of the ASX.
- 1.3 Further details of the terms and conditions of the key components of the Offer are provided in Section 3 of this Report.
- 1.4 The Company proposes to issue a Target's Statement, being a document prepared by the Independent Directors of Mareterram to assist Mareterram's shareholders other than Sea Harvest Group ("the Non-Associated Shareholders") in making an informed assessment in relation to the Offer.
- 1.5 The Independent Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, provide an Independent Expert Report as to the fairness and reasonableness of the Offer to the Non-Associated Shareholders for inclusion in the proposed Target's Statement.
- 1.6 Accordingly, we have prepared this Report for the purpose of stating, in our opinion, whether or not the Offer is fair and reasonable to Mareterram's Non-Associated Shareholders and to set out the reasons for that opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.7 Our Report is to be included in the Target's Statement issued by Mareterram to Shareholders.
- 1.8 This Report represents general financial product advice only and has been prepared without taking into consideration the circumstances of individual Mareterram shareholders. The ultimate decision whether to accept the Offer should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position, and expectations as to value and future market conditions. Mareterram Non-Associated Shareholders should read and have regard to the contents of the Target's Statement which has been prepared by the Independent Directors and management of Mareterram. Mareterram Non-Associated Shareholders who are in doubt as to the action they should take with regard to the Offer and the matters dealt with in this Report, should seek independent professional advice.

2. Summary and Conclusion

Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Offer is not fair but is reasonable for the Non-Associated Shareholders of Mareterram.

Approach

- 2.2 In assessing whether the Offer is "fair and reasonable" to the Non-Associated Shareholders, we have considered Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 - Content of Expert Reports ("RG 111"), which provides specific guidance as to how an expert is to appraise a Takeover Offer.
- 2.3 The Offer is an off-market takeover offer for Mareterram via a cash offer of \$0.25 (25 cents) for each Mareterram Share. Therefore, consistent with the guidance set out in RG 111, in assessing whether or not we consider the Offer to be "fair and reasonable" to the Non-Associated Shareholders, we have:
- considered whether the Offer is "fair" to the Non-Associated Shareholders by assessing and comparing:
 - the Fair Market Value of a Mareterram Share on a controlling basis prior to the Offer; with
 - the Fair Market Value of the consideration offered per Mareterram Share; and
 - considered whether the Offer is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Offer which are likely to be relevant to the Non-Associated Shareholders, in their decision as to whether or not to accept the Offer.
- 2.4 Further information on the approach we have employed in assessing whether the Offer is fair and reasonable to the Non-Associated Shareholders is set out at Section 4 of this Report.

Fairness

- 2.5 The table below sets out the consideration payable per share as compared to our assessed value of each Mareterram share.

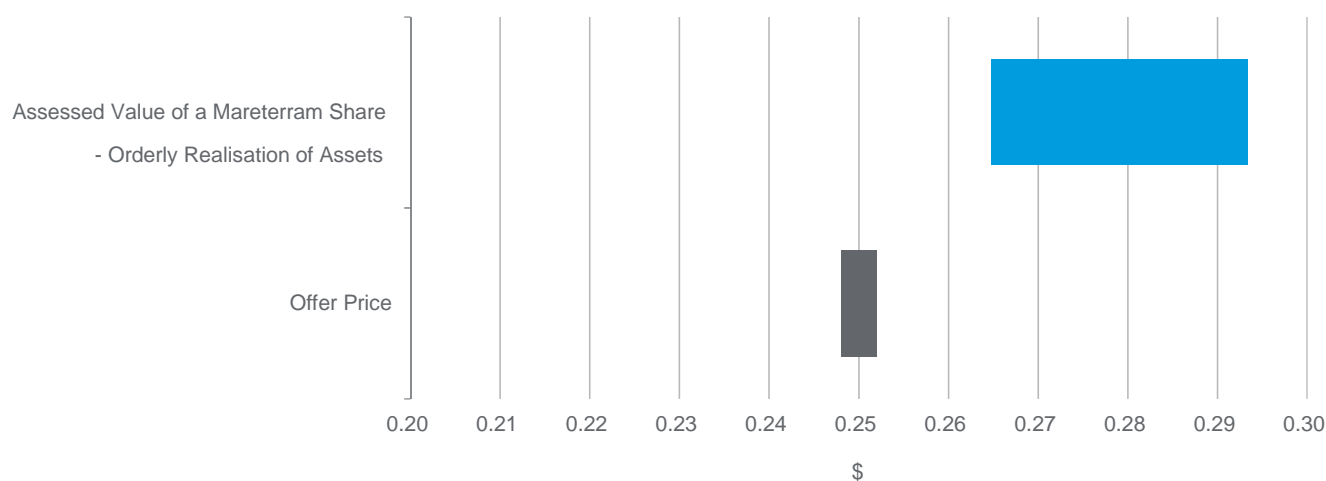
Table 1 Valuation summary

Assessment of fairness	Value per Share	
	Low	High
	\$	\$
Fair value of a Mareterram Share pre the Proposed Transaction - Control basis	0.265	0.293
Fair value of Offer Consideration	0.250	0.250

Source: RSM analysis

- 2.6 This is illustrated graphically below.

Figure 1 Valuation Summary



Source: RSM analysis

- 2.7 As our assessed range of values for a Mareterram Share is in excess of the value of the consideration offered for each Mareterram Share, we consider the Offer to be Not Fair to the Non-Associated Shareholders of Mareterram.
- 2.8 Our valuation approach and our assessment of the value of a Mareterram Share are set out in Sections 7 and 8 of this Report, respectively.

Reasonableness

- 2.9 In determining whether the Offer is reasonable for the Non-Associated Shareholders of Mareterram, we have considered:
- the future prospects of the Company if the Offer does not proceed; and
 - any other advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Offer proceeding.

Stated Intentions of Sea Harvest in relation to the Offer

- 2.10 If Sea Harvest acquires a relevant interest in at least 90% of Mareterram Shares, it intends to:
- continue the Mareterram business;
 - compulsorily acquire all the remaining Mareterram Shares in which Sea Harvest does not have a relevant interest, in accordance with the Corporations Act; and
 - arrange for Mareterram to be removed from the official list of the ASX.
- 2.11 If Sea Harvest acquires a relevant interest in less than 90% of Mareterram Shares and waives the 90% minimum acceptance condition, it is not entitled to compulsorily acquire the remaining Mareterram Shares and therefore it intends to:
- continue the Mareterram business; and
 - consider whether it is appropriate to maintain Mareterram's listing on the ASX.

Shareholding Interest of Sea Harvest

- 2.12 Sea Harvest currently has a controlling interest in Mareterram of 56.28%. Sea Harvest may increase its interest in Mareterram as a result of the Offer depending on the number of Shareholders who accept the Offer and whether Sea Harvest waives the 90% minimum acceptance condition.
- 2.13 If Sea Harvest waives the 90% minimum acceptance condition and the Offer is accepted by some Shareholders, Sea Harvest may increase its shareholding and therefore its degree of control of Mareterram but not be in a position to proceed with compulsory acquisition of the remaining Mareterram Shares. Possible consequences of this include:
- the share price may fall following the end of the Offer period;
 - the liquidity of Mareterram shares may be lower than at present;
 - if the number of Shareholders is less than required by the ASX Listing Rules, Sea Harvest may seek to have Mareterram removed from the official list of the ASX; and
 - if Sea Harvest increases its shareholding in Mareterram to 75% or more of the shares on issue, it will be able to pass special resolutions of the Company. This will enable Sea Harvest to, amongst other things, change Mareterram's constitution.
- 2.14 The table below sets out the various levels of interest which Sea Harvest may acquire, and the relevant implications of those levels for the Non-Associated Shareholders.

Table 2 Levels of Shareholding Interest

Level of Interest	Implications for Non-Associated Shareholders
50% - 74.9%	Sea Harvest has the ability to pass ordinary resolutions of the Company
75% +	Sea Harvest has the ability to pass special resolutions of the Company
87% +	Sea Harvest has the ability to reach the 90% compulsory acquisition threshold within 6 months by way of the 'creep' provisions
90% +	Sea Harvest has the ability to compulsorily acquire the remaining shares in the Company

Future prospects of Mareterram if the Offer does not proceed

- 2.15 If the Offer is not accepted by sufficient Mareterram Shareholders for Sea Harvest to own 90% of the issued shares of Mareterram and Sea Harvest does not waive this requirement, the Offer will not proceed and Mareterram Shareholders will retain ownership of the Shares in respect of the Offer.
- 2.16 In such circumstances, management has advised us that business operations will continue as is, but that the Company is highly likely to require additional debt or equity funding to meet ongoing working capital requirements in the short to medium term. If such funding was to be raised by issuing new equity, any such equity is likely to be at a discount to the current market price of Mareterram Shares at the time of the equity issue.

Advantages and disadvantages

- 2.17 In assessing whether the Non-Associated Shareholders are likely to be better off if the Offer proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of accepting the Offer

Advantage	Comments
Premium to the underlying share price	<p>The Offer represents a premium of 22% to the closing share price of Mareterram immediately prior to the announcement of the Offer, being \$0.205 on 1 February 2019 (the last day Mareterram shares were traded) and a 29.5% premium to the 60-day VWAP of Mareterram shares prior to the announcement of \$0.193.</p> <p>The Offer therefore allows Non-Associated Shareholders to realise value for their shares in excess of the price at which they were trading before the Offer was announced. This level of premium may not be available to Non-Associated Shareholders in the absence of the Offer.</p>
Certainty of cash	Non-Associated Shareholders are being offered cash consideration, providing a certain and immediate return for their investment in Mareterram free of any realisation expenses (e.g. brokerage fees).
Liquidity event	As set out in Sections 5 and 8 of this Report, shares in Mareterram have been very thinly traded, particularly in the last 120 days of trading prior to the Offer when 0.77% of shares were traded. The Offer represents an opportunity for Non-Associated Shareholders to realise their investment in the Company.
Opportunity to reinvest in alternative investments	Acceptance of the Offer will give Non-Associated Shareholders the opportunity to reinvest the cash proceeds in alternative investments.

Disadvantages of accepting the Offer

Disadvantage	Comments
The Offer is not fair	The Offer price of \$0.25 per share is below our assessed value range of a Mareterram share. By accepting the Offer, Non-Associated Shareholders may be forgoing the opportunity for realising a higher value for their investment.
No exposure to the potential upside of Mareterram	Acceptance of the Offer will result in Non-Associated Shareholders no longer holding an ownership interest in Mareterram and consequently, Non-Associated Shareholders who accept the Offer will not benefit from any potential future capital growth and/or profits generated by the Mareterram business.
Taxation implications	The sale of Mareterram Shares under the Offer will constitute a capital gains tax event and it is therefore possible that Mareterram Non-Associated Shareholders will incur a capital gains tax liability on their disposal. Non-Associated Shareholders are advised to seek their own independent tax advice in relation to the implications for their shareholding.

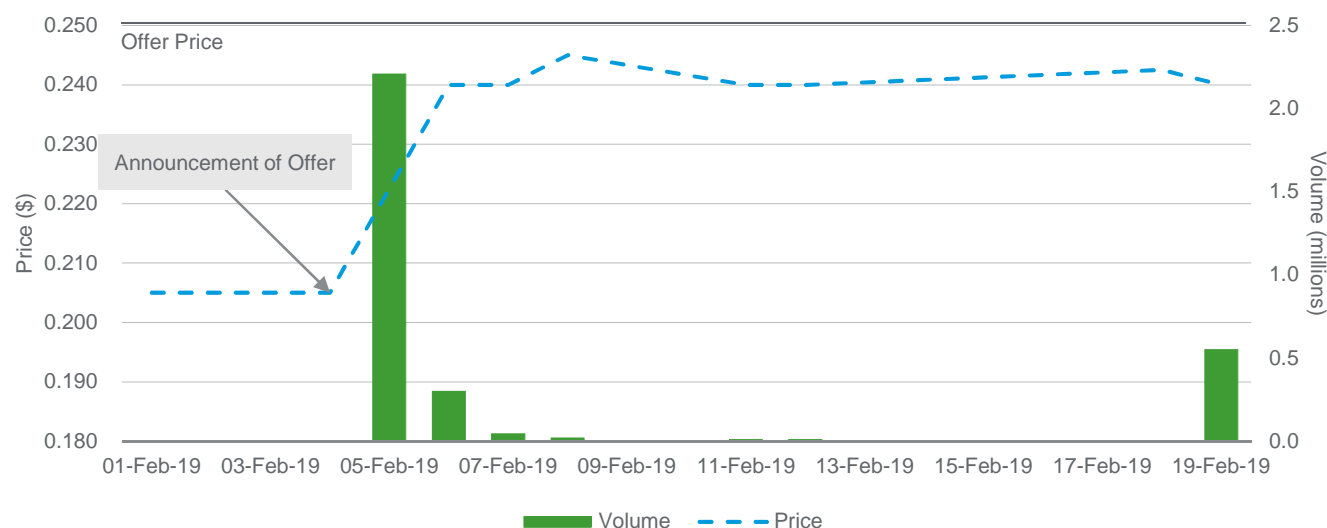
The extent to which a control premium is being paid

- 2.18 The value of the consideration offered is \$0.25 (25 cents) per Mareterram Share. This value represents a premium of 22% of the closing traded price of Mareterram Shares of \$0.205 (20.5 cents) on 1 February 2019 (being the last day Mareterram shares were traded immediately prior to the announcement of the Offer).
- 2.19 However, as set out above, the Offer price is lower than our assessed value of a Mareterram Share.

Trading in Mareterram shares following the announcement of the Offer

- 2.20 The Offer was announced to the ASX on 5 February 2019. The announcement resulted in a 17.1% increase in Mareterram's share price from the latest traded price of \$0.205 per share on 1 February 2019 to \$0.24 on 5 February 2019.

Figure 2 Trading in Mareterram Shares



Source: S&P Capital IQ

- 2.21 In the ten-day trading period following the announcement approximately 2% of Mareterram's total volume of shares were traded. The VWAP of Mareterram's shares for the 10-day period after the announcement was \$0.241 which is 26.2% higher than the 30-day VWAP of \$0.191 prior to the announcement of the Offer.
- 2.22 If the Offer does not achieve the 90% minimum acceptance level (and this condition is not waived by Sea Harvest), it is possible that the Mareterram share price will fall to its previous traded level (prior to the announcement).

Liquidity

- 2.23 Historically, the liquidity of Mareterram's shares has been low which may represent an impediment for Mareterram Shareholders to sell their shares at fair market value. The Offer provides Non-Associated Shareholders with an ability to convert their investment in Mareterram into cash.
- 2.24 As stated above, Sea Harvest intends to consider whether it is appropriate to maintain Mareterram's listing on the ASX if they waive the 90% minimum acceptance condition of the Offer. In these circumstances, Non-Associated Shareholders who did not accept the Offer could be left with an interest in an unlisted company with limited ability to realise their investment.

Alternative proposals and likelihood of an alternative takeover offer

- 2.25 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Mareterram a greater benefit than the Offer.
- 2.26 The Directors have advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Offer on 5 February 2019, or since that date until issue of our Report.
- 2.27 Given that Sea Harvest currently has a 56.28% controlling interest in Mareterram, a takeover bid by any other party would require the support of Sea Harvest.

Conclusion on Reasonableness

- 2.28 In our opinion, the position of the Non-Associated Shareholders if the Offer is accepted is more advantageous than the position if it is not accepted. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is reasonable for the Non-Associated Shareholders of Mareterram.
- 2.29 An individual Shareholder's decision in relation to the Offer may be influenced by his or her individual circumstances. If in doubt, Non-Associated Shareholders should consult an independent advisor.

3. Summary of Offer

Overview

- 3.1 Mareterram entered into a binding BIA on 4 February 2019 under which Sea Harvest proposes to acquire all of the fully paid ordinary shares in Mareterram not currently owned or controlled by the Sea Harvest Group by way of an off-market takeover bid under Chapter 6 of the Corporations Act.
- 3.2 Sea Harvest is offering \$0.25 cash per Mareterram share. The Offer shall extend to all shares that are issued during the Offer period due to the conversion or vesting of any other Mareterram securities on issue at the Register Date.

Key conditions of the Offer

- 3.3 Completion of the Offer is subject to and conditional upon a number of conditions precedent, including (but not limited to)
- Sea Harvest acquiring a relevant interest in at least 90% of Mareterram shares;
 - Approval for the purposes of the Foreign Acquisitions and Takeover Act – it was announced that this condition had been met on 7 February 2019;
 - Mr James Clement (Chief Executive Officer and Managing Director) not resigning, or providing notice of resignation of, his employment with Mareterram;
 - Mareterram not making any material acquisitions, disposals or new commitments;
 - No prescribed occurrence occurring in relation to Mareterram – this includes but is not limited to share transactions, disposals of business or property assets and insolvency events;
 - There being no material adverse change in respect of Mareterram, including but not limited to:
 - All material approvals and licences required to conduct Mareterram’s business and the Mareterram Carnarvon boat harbour lease remain in force;
 - Supply arrangements with key suppliers, including Mydibel, Top Hat, Bayview and Rand Transport, Coles and Woolworths remain in force.
 - There being no regulatory action during the period to completion;
 - The Independent Expert being of the opinion that the Offer is “fair and reasonable” or “not fair but reasonable” to Mareterram shareholders and the Non-Affiliated Directors not changing, withdrawing or modifying their recommendation of the Offer in the absence of a superior proposal; and
 - Confirmation from the National Australia Bank that it will not cancel or change the pricing or terms of the financing agreements, and confirmation of an extension on the repayment date for Facility 2 to a date no earlier than 28 February 2020.
- 3.4 Mareterram has agreed to customary exclusivity arrangements including “no shop” and “no talk” restrictions, notification and matching rights until the end of the Offer period, subject to a customary fiduciary exception to allow it to consider competing proposals. Further details on these arrangements are set out in section 7.1 of the Target’s Statement.

Option Cancellation Agreements

- 3.5 Mareterram currently has 10 million share options on issue of which 2.5 million are held by Sea Harvest. Sea Harvest, Mareterram and the holders of the remaining 7.5 million share options have entered into agreements to cancel the outstanding share options for a total consideration of \$354,000 which will be paid by Sea Harvest, subject to the Offer becoming unconditional.

Rationale for the Offer

- 3.6 The Sea Harvest Group's strategy is to invest in well managed, sustainable, vertically integrated fishing and agribusiness around the world. As the controlling Mareterram shareholder, Sea Harvest wishes to fully integrate Mareterram and align Mareterram's operating structure, growth strategy and funding requirements with that of the Sea Harvest Group.

4. Purpose of this Report

Purpose

- 4.1 Section 640(1)(a) of the Corporations Act provides that where the bidder's voting power is 30% or more, the target's statement must include a report by an expert that states whether, in the expert's opinion, the takeover is fair and reasonable and gives reasons for forming that opinion. Similarly, Section 640(1)(c) makes the same provision where a director of the bidder is also a director of the target.
- 4.2 Sea Harvest's voting power at the date of this Report is 56.28%.
- 4.3 Mr Felix Ratheb, Mr Fred Robertson and Mr Muhammad Brey are directors of Sea Harvest and are also directors of Mareterram.
- 4.4 Accordingly, the Independent Directors have engaged RSM to prepare this independent expert report to satisfy the requirement in Sections 640(1)(a) and 640(1)(c) of the Corporations Act to provide to Shareholders to assist them in deciding whether to accept or reject the Offer.

Basis of evaluation

- 4.5 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, particularly RG 111 – Content of Expert Reports ("RG 111").
- 4.6 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is "fair and reasonable".
- 4.7 RG 111 states that the expert should focus on:
 - The issues facing the security holders for whom the report is being prepared; and
 - The substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8 RG 111 distinguishes "fair" from "reasonable" and considers:
 - a takeover offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer.
 - a takeover offer to be "reasonable" if it is fair or, where the offer is not "fair", it may still be "reasonable" if the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

Fairness

- 4.9 Consistent with the guidance in RG 111, we have considered whether the Offer is "fair" by assessing and comparing:
 - the fair market value of a Mareterram Share on a controlling basis prior to the Offer; and
 - the value of the consideration offered.
- 4.10 On this basis, if the value of the consideration offered per Mareterram Share is equal to or greater than the fair market value of a Mareterram Share prior to the Offer, in our opinion, the Offer would be "fair".

Reasonableness

- 4.11 We have considered whether the Offer is “reasonable” by undertaking an analysis of the following factors:
- the future prospects of Mareterram if the Offer is not successful; and
 - the advantages and disadvantages of the Offer to Non-Associated Shareholders.
- 4.12 Our assessment of the Offer is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of Mareterram

Background

- 5.1 Mareterram is a Western Australian based agribusiness company listed on the ASX ("ASX: MTM").
- 5.2 The Company listed on the ASX as Style Limited on 7 April 2004 when its focus was on research, development, manufacturing and marketing of green flooring products.
- 5.3 On 30 April 2012 the Company was placed into voluntary administration and in July 2012 a deed of company arrangement was entered into. In May 2013 a new Board was appointed and the Company was recapitalised through the issue of recapitalisation securities.
- 5.4 In November 2015, the Company lodged a Prospectus with the ASIC to raise up to \$18 million and complete the acquisition of the commercial fishing business conducted by Nor-West Seafoods Pty Ltd and Tennereef Pty Ltd (together "NWS") which consisted of 10 fishing licences and prawn trawler vessels operating in the Shark Bay Prawn Managed Fishery ("SBPMF"), and the food services division of the Craig Mostyn Group. The Company was renamed Mareterram Pty Ltd.
- 5.5 Mareterram relisted on the ASX on 6 January 2016.
- 5.6 The Company acquired the net assets of Focus Fisheries in March 2016 for consideration of \$1.3 million. The core business of Focus Fisheries was the commercialisation of Australian wild caught seafood by providing contract marketing and sales services in export and domestic seafood markets.
- 5.7 In May 2016 the Company received a proportional takeover offer from Sea Harvest International Proprietary Limited to acquire 50% of the Mareterram shares it did not hold at the time for cash consideration of \$0.35 per share. At the completion of the transaction in July 2016 Sea Harvest's shareholding in the Company had increased to 55.89%.
- 5.8 The Company acquired an additional prawn trawler in November 2016 and commenced a rebuild and refit program of the existing 10 prawn trawlers which is expected to be completed in 2020.
- 5.9 The Sea Harvest Retail Agency was acquired from Atlantic Seafoods in December 2016 for \$0.3 million. This enabled the Company to complete its exclusivity as Australian agent for all Sea Harvest products in both food service and retail channels.
- 5.10 On 6 September 2017 the Company announced to the ASX that it had changed its financial year end to 31 December (compared to 30 June previously). This change aligned the financial reporting with that of its major shareholder, Sea Harvest, and with the fishing season which runs from approximately March to November in the Shark Bay Fishery.
- 5.11 On 12 January 2018 the Company completed the acquisition of two mackerel licence packages in the Western Australian Mackerel Managed Fishery ("WAMMF") with associated fishing vessels for purchase consideration of \$4.95 million excluding stamp duty and transaction costs. Funding for the acquisition was secured through a share placement of \$3.75 million (15 million shares at \$0.25 per share) and \$2 million in debt funding. The licences account for approximately 30% of the WAMMF.
- 5.12 The Company has undertaken a restructure of personnel and reduced fixed overheads as part of a cost reduction program over the last two years, with multiple positions rationalised and leaner operational principles adopted.
- 5.13 The Company currently operates as a vertically integrated business with two operating subsidiaries, consisting of the commercial fishing division in Mareterram Fisheries ("MTF") and the food services division in Mareterram Trading ("MTT"), along with the corporate head office function of Mareterram Limited ("MTL").

MTF

Shark Bay Prawn Managed Fishery

- 5.14 The principal asset of Mareterram is the holding and operating of 10 of 18 Shark Bay Prawn Managed Fishery licences issued by the Department of Primary Industries and Regional Development (“DPIRD”) relating to the SBPMF in Shark Bay, Carnarvon, Western Australia, representing approximately 55% of this fishery. It also holds 10 Shark Bay Scallop B Class managed fishery licences of the Shark Bay Scallop Managed Fishery (“SBSMF”) and 10 Shark Bay Crab managed fishing licences in the Shark Bay Crab Managed Fishery.
- 5.15 The fishery targets western king prawns and brown tiger prawns. These species are short-lived, fast-growing and have variable migration which is primarily environmentally driven.
- 5.16 SBPMF is managed based on a constant escapement harvesting approach, in which an attempt is made to maintain the spawning stock size near a constant level. Management activities include input controls such as limited entry, fishing gear controls, seasonal and area openings and closures, and moon closures designed to keep fishing effort at levels that will maintain sufficient spawning biomass of prawns. The total number of days fished each year is generally around 175 days with the season typically running from March to November.
- 5.17 In 2015, SBPMF received Marine Stewardship Council (MSC) certification and was also accredited for export under the provisions of the Environmental Protection and Biodiversity Conservation Act (1999) for ten years. The fishery is managed in accordance with the Shark Bay Prawn Managed Fishery Harvest Strategy.
- 5.18 The Company owns 11 trawling vessels which target two major species, king and tiger prawns, with several material by-catches including coral and endeavour prawns, blue swimmer crabs, scallops, squid and cuttlefish.

Other Operations

- 5.19 The division also holds and operates 13 WAMMF licences in the West Coast Bioregion of Western Australia. Since acquiring the licences, Mareterram has sold one of the two vessels it acquired with the licence packages. The licences consist of “A” Class (Spanish Mackerel) and “B” Class (Grey Mackerel) units.
- 5.20 Mareterram has significant business infrastructure in Carnarvon including administration, engineering and slipping facilities in the Carnarvon small boat harbour.
- 5.21 This division has approximately 30 full-time employees and the vessels are operated by skippers and crew under share fishing arrangements.

MTT

- 5.22 MTT comprises the original food services division of the Craig Mostyn Group and the net assets of Focus Fisheries.
- 5.23 The division is an importing and trading business buying produce from overseas producers and local manufacturers and selling to wholesalers, distributors, retailers or end users in the food service channel.
- 5.24 MTT has a national sales presence in Western Australia, New South Wales, Queensland, Victoria and South Australia with a national sales force of seven people.
- 5.25 The key product categories are frozen seafood, potato products and convenience foods. Key agency and/or supplier relationships are with established brands including Sea Harvest (approximately 27% of total Group sales), Top Hat, Mydibel and Royal Greenland. In addition, product from MTF is sold through MTT.

MTL

- 5.26 MTL is the corporate head office function of Mareterram and is a cost centre. The costs of senior management, directors and of maintaining a listed company are allocated to this division as well as head office lease costs, corporate travel and insurances.

Directors

- 5.27 The directors of Mareterram are summarised in the table below. The Independent Directors of Mareterram for the purposes of the Offer are David Lock, Mark Pitts and Gregory Roberts-Baxter.

Table 3 Mareterram Directors

Name	Title	Experience
David Lock	Non-Executive Chairman	<p>Mr Lock was appointed Non-Executive Chairman of the Company on 23 November 2017 following his resignation as CEO. Prior to this he had worked at Craig Mostyn Group since 1996, a privately-owned agribusiness company where he had been CEO since 2004.</p> <p>Mr Lock holds a number of directorships in Australian companies, including CBH Group, Water Corporation, Australian Pork Limited, West Australian Meat Industry Authority and Odeum Produce Pty Limited. He is also a Trustee of the Marine Stewardship Council (London) and a member of the Curtin Business School Advisory Board.</p>
James Clement	Chief Executive Officer and Managing Director	<p>Mr Clement has worked in the commercial fishing industry for six years. He was the General Manager of Focus Fisheries Pty Ltd before joining Mareterram in August 2015 as a non-executive director. In January 2016 he was appointed as an executive director of Mareterram and as the COO of the Group. Mr Clement was appointed as acting Managing Director and CEO on 27 November 2017 and then confirmed into this position on 26 February 2018.</p> <p>He is also a director and the deputy chairman of the Western Australian Fishing Industry Council. He has more than a decade of experience in finance and investment, holds a Master of Business Administration, a Bachelor of Science in Aquaculture and Seafood Science, a Graduate Diploma in Agribusiness and is a graduate of the Australian Institute of Company Directors.</p>
Mark Pitts	Non-Executive Director	<p>Mr Pitts has over 25 years of experience working in commercial, corporate finance and public practice roles in Australia and overseas. Mr Pitts is a partner in the corporate advisory firm Endeavour Corporate, established in 2004. Endeavour Corporate provides company secretarial support as well as corporate governance and compliance advice to a number of ASX-listed public companies. Mr Pitts commenced his career in finance working for KPMG in Australia and overseas, before working in the property, healthcare and minerals extraction industries.</p>
Felix Ratheb	Non-Executive Director	<p>Mr Ratheb has been Chief Executive of the Sea Harvest Group since December 2013 and has worked in the fishing and food industry since 2003. Mr Ratheb is a director of Sea Harvest Holdings and Sea Harvest.</p>
Fred Robertson	Non-Executive Director	<p>Mr Robertson serves as Executive Chairman of Brimstone Investment Corporation Ltd, a company which he co-founded in 1995. Mr Robertson holds numerous non-executive chairman and non-executive director positions.</p>
Muhammad Brey	Non-Executive Director	<p>Mr Brey has previous experience in mergers and acquisitions, capital debt raisings, listings and other transactions.</p> <p>Mr Brey joined Brimstone in 2009 as Managing Executive, where his responsibilities include identifying, implementing and funding acquisitions, managing Brimstone's investment portfolio and driving growth at portfolio companies. Mr Brey is also Managing Executive responsible for Sea Harvest, including assisting management with local and offshore management.</p>
Gregory Roberts-Baxter	Non-Executive Director	<p>Mr Roberts-Baxter was appointed as Non-Executive Director on 19 November 2018. He is Managing Director of Atlantic Growth Capital, a private equity investment vehicle investing in mid-market consumer goods companies in Australia and New Zealand.</p> <p>Mr Roberts-Baxter has over 15 years of investment and board experience ranging from start-up companies to listed entities across multiple sectors and regions.</p>

Financial information of Mareterram

- 5.28 The information in the following section provides a summary of the financial information of Mareterram for the year ended 31 December 2018 extracted from the preliminary final report of the Company issued on 31 January 2019, and for the six months ended 31 December 2017 and year ended 30 June 2017 extracted from the audited financial statements of the Company. The Company changed its financial reporting year end to 31 December in September 2017.
- 5.29 The auditor of Mareterram, Deloitte Touche Tohmatsu, has issued unmodified audit opinions on the financial statements for the six months ended 31 December 2017 and the year ended 30 June 2017. The audit of the accounts in the preliminary final report for the year ended 31 December 2018 has not been completed at this time, but the Company anticipates that the independent audit report will not contain a modified opinion (as noted in the Compliance Statement in the Preliminary Final Report).

Financial performance

- 5.30 The following table sets out a summary of the financial performance of Mareterram for the year ended 31 December 2018, the six months ended 31 December 2017 and the year ended 30 June 2017.

Table 4 Mareterram historical financial performance

A\$000's	Ref	12 months 31-Dec-18 Subject to Audit Completion	6 months 31-Dec-17 Audited	12 months 30-Jun-17 Audited
Sales revenue		44,870	25,435	49,008
Cost of sales		(36,302)	(20,149)	(37,861)
Gross profit		8,568	5,286	11,147
Other income	5.32	85	-	1,667
Employee expenses		(4,178)	(2,692)	(4,787)
Office and administration costs		(1,424)	(1,063)	(1,978)
Depreciation and amortisation expense		(1,332)	(506)	(723)
Other costs		(2)	(31)	(44)
Finance costs		(1,192)	(445)	(714)
Transaction costs		(30)	(89)	-
Profit before income tax		495	460	4,568
Income tax expense		(168)	(136)	-
Profit after income tax		327	324	4,568
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
(Loss) / gain on foreign currency and commodity hedges		(186)	286	(236)
Income tax on other comprehensive income		-	-	-
Total comprehensive profit for the period		141	610	4,332

Source: Company Financials

- 5.31 During the 2018 fishing season, the SBPMF experienced historically low catch volumes compared to previous seasons which resulted in a trading performance below expectations for Mareterram in the year ended 31 December 2018. Mackerel catches were also below first season expectations after an attempt to consolidate the licence and quota packages onto one vessel did not deliver adequate catch volumes; a second vessel will be deployed for future seasons.
- 5.32 Other income of \$1.667 million in the year ended 30 June 2017 included \$1.5 million for the derecognition of the deferred purchase consideration recognised in prior periods as the earn-out on the acquisition of the Food Services Business acquired from the Craig Mostyn Group.

Historic Trading Results

- 5.33 The Company's internal reporting is on a calendar year basis, aligning with the fishing season in Shark Bay, generally March to November. Set out below are the trading results on a calendar year basis for the years ended 31 December 2017 and 31 December 2018.

Table 5 Historical trading results

\$000's	Actual Year ended 31-Dec-18	Actual Year ended 31-Dec-17
Revenue		
MTF	16,462	20,359
MTT	28,408	27,484
Total Sales	44,870	47,843
Cost of Sales		
MTF	10,355	12,244
MTT	25,947	25,584
Total Cost of sales	36,302	37,828
Gross Profit	8,568	10,015
Overheads		
Employee expenses	4,179	4,751
Office and administration	1,035	1,580
Transaction costs	30	132
Other costs	305	440
Total Overheads	5,549	6,903
EBITDA	3,019	3,112

Source: Mareterram Management

5.34 The gross margin percentage (“GM%”) of MTF, MTT and the Company overall is set out below:

Table 6 Historical GM% by division

\$000's	Actual Year ended 31-Dec-18	Actual Year ended 31-Dec-17
MTF	37.1%	38.2%
MTT	8.7%	6.8%
Company	19.1%	20.9%

Source: Mareterram Management

5.35 The EBITDA generated by MTF, MTT and MTL for each of these years is shown below:

Table 7 Historical EBITDA by division

\$000's	Actual Year ended 31-Dec-18	Actual Year ended 31-Dec-17
MTF	3,846	5,879
MTT	1,569	555
MTL	(2,396)	(3,322)
Group EBITDA	3,019	3,112

Source: Mareterram Management

MTF

5.36 MTF’s revenue is derived from fishing operations in both the SBPMF and the WAMMF. The revenue and profitability of MTF was adversely affected in 2018 by the low catch volumes in the SBPMF. The Company took the decision to return the majority of its vessels to port early in the back half of the SBPMF season due to the low catch volumes; this decision provided savings in harvest expenses compared to the prior season.

5.37 MTF revenue derived from the fishing operations in the SBPMF is from the sale of caught stock consisting of five key categories being king prawns, tiger prawns, scallops, crabs and by-catch (being any other species allowable under SBPMF and SBSMF licences). Approximately 30-35% of the Company’s prawns are exported.

5.38 Given the nature of the major revenue streams, the key drivers underpinning the results of MTF are related to total catch volumes and prices realised for the catch stock in the domestic and international seafood markets.

5.39 Catch volumes fluctuate from season to season and depend upon the biomass in the fishery, which varies with environmental conditions.

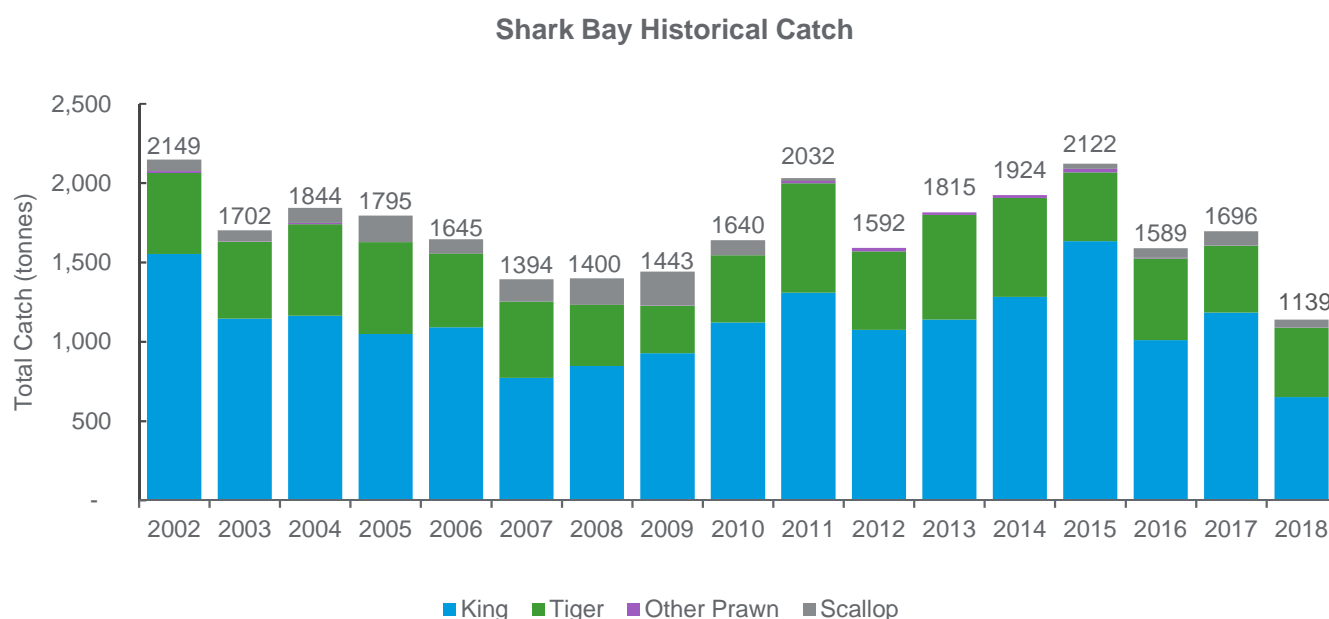
SBPMF Historical Catch Rates

5.40 The target catch range of the SBPMF for king prawns and brown tiger prawns is between 1,350 and 2,150 tonnes per annum.

5.41 The figure below summarises the prawn and scallop catch-rates in the Shark Bay region since 2002.

- 5.42 Catch rates in the Shark Bay area can fluctuate significantly from year to year, with rates varying from a peak of 2,149 tonnes in 2002 to the lowest volume of 1,139 tonnes in the most recent 2018 season (50% lower than the peak and below the target catch range for the fishery). Mareterram has an approximate 55% interest in licences within the Shark Bay region but has not historically caught 55% of the total catch volumes.
- 5.43 As a result of the annual variability in catch volumes, Mareterram management adopts a five-year rolling average catch rate when budgeting future performance.

Figure 3 Shark Bay historical catch rates



- 5.44 Over the last ten years, the total Shark Bay Prawn Fishery catch has fluctuated between 2,089 tonnes in 2015 to 1,091 tonnes in 2018, with an average over the last five years of 1,648 tonnes for king and tiger prawns, as shown in the table below:

Table 8 Shark Bay Prawn Fishery Catch

Year	All	Prawn
2009	1,443	1,228
2010	1,640	1,545
2011	2,032	2,014
2012	1,592	1,592
2013	1,815	1,815
2014	1,924	1,924
2015	2,122	2,089
2016	1,589	1,529
2017	1,696	1,608
2018	1,139	1,091
Last 10 years Average	1,699	1,644
Last 5 years average	1,694	1,648
Last 3 years average	1,475	1,409

- 5.45 In light of the historically low catch rates in 2018, the DPIRD, which oversees the management of the SBPMF, is working closely with industry to manage to SBPMF and to ensure a rebound in prawn catch rates. We understand that a range of strategies to optimise prawn spawning, recruitment and protection are being considered.
- 5.46 Given the exposure to overseas markets, catch prices are impacted by the Australian dollar exchange rate against the US dollar, Euro and Japanese yen.
- 5.47 The major factor affecting MTF revenue over the period was the catch volumes which were as follows for tiger and king prawns:

Table 9 MTF Prawn Catch

	MTF Tonnes	% of total Shark Bay prawn catch Tonnes
2017 (actual)	842	52.4%
2018 (actual)	537	49.2%

Source: Mareterram Management

- 5.48 These volumes compare to an implied five-year average of 906 tonnes (being 55% of the total fishery catch average for the five years of 1,648 tonnes per Table 8). The lower proportional catch in 2018 was impacted by the Company's decision to return its vessels to port early, with associated cost savings as previously discussed.
- 5.49 This table shows that the historic catch volumes of MTF have been less than 55% of the total fishery catch; the Company has been addressing this primarily through reducing the number of lost days at sea by investing in vessel rebuilding and refit.
- 5.50 Mackerel catches in 2018 were also below first season expectations after an attempt to consolidate the licence and quota packages onto one vessel did not deliver adequate catch volumes; a second vessel will be deployed for the current and future seasons. Catch volumes were 36 tonnes in 2018 against a quota of 90 tonnes.
- 5.51 MTF cost of sales relate to the costs of operating and maintaining the vessels, driven by the following key factors:
- payments to the skippers and crew under share-fishing arrangements (crew share) based on catch volumes and species;
 - fuel costs based on total fuel usage in litres and cost of diesel fuel. Fuel costs fluctuate and are affected by international oil prices and the exchange rate of the Australian dollar against the US dollar;
 - significant repairs and maintenance costs including vessel refit at the end of each fishing season to meet survey requirements and to keep the operating assets in good working order; and
 - other costs including harbour dues and consumables (including nets, gear and packaging).
- 5.52 Crew share payments and consumables costs are the main outgoings that are directly variable with catch volumes. The other costs of operating the vessels tend to be driven by fishing effort rather than volumes achieved.
- 5.53 The Company has had a focus over the last few years to maximise vessel reliability and minimise lost days fishing through acquiring an eleventh vessel for trawling, and embarking on a rebuild and refit program for the original ten vessels. The rebuild program is expected to be completed in 2020.

MTT

- 5.54 MTT generates its revenue through the sale and distribution of imported and domestic food products, achieving a margin on turnover of product handled. The key drivers of MTT's revenue and gross profit are the ability to secure supply of a quality product range and maintain an acceptable gross profit percentage by a combination of negotiation of appropriate product costs from suppliers, management of exchange rate exposures on imported product and market activity to support sales and pricing in the market.
- 5.55 Revenue has increased over the period due to both incremental price increases of product and an expansion of the customer base.
- 5.56 Gross profit has improved due to better product handling, improvements in production mix and a higher contribution achieved on sales from key product lines.

MTL

- 5.57 In 2017 the Company implemented a restructure with the Chief Executive Officer ("CEO"), David Lock, becoming Chairman and the Chief Operating Officer ("COO") James Clement becoming CEO. The position of COO was eliminated and there was a cost benefit to the Company with the salary levels of the new CEO compared to the previous role.
- 5.58 The Company has reduced annual overheads significantly as part of the cost reduction program and expects to be able to maintain the reduced level of overheads in 2019.

Forecast Trading Results

- 5.59 The Company does not publicly release any forecast information given the risks and uncertainties which can materially affect the fishing industry in any given season, particularly in relation to catch volumes. However, for internal budgeting purposes the Company adopts the rolling five-year average catch volume of Mareterram and its predecessor, NWS.
- 5.60 We have been provided with the latest budget pack and note that this five-year rolling average is currently 838 tonnes for prawns. Mackerel catch volumes are projected using the full quota of 90 tonnes, which reflects the use of a second vessel in future seasons.
- 5.61 On this basis, and assuming current pricing conditions, the Company estimates that it could achieve total sales in the region of \$50 million and an overall EBITDA of approximately \$6.15 million in an average catch season ("Average Catch Season").

Cashflows

5.62 The table below sets out a summary of the cashflows of Mareterram for the year ended 31 December 2018, the six months ended 31 December 2017 and the year ended 30 June 2017.

Table 10 Mareterram historical cashflow

A\$000's	12 months 31-Dec-18 Subject to Audit Completion	6 months 31-Dec-17 Audited	12 months 30-Jun-17 Audited
Cashflows from operating activities			
Receipts from customers	45,579	27,832	46,135
Payments to suppliers and employees	(42,631)	(21,606)	(48,010)
Interest received	1	2	-
Net cash from operating activities	2,949	6,228	(1,875)
Cashflows from investing activities			
Purchase of property, plant and equipment	(3,244)	(2,502)	(1,631)
Acquisition of business assets (purchase consideration held in escrow)	-	(4,952)	-
Proceeds from disposal of property, plant and equipment	675	7	-
Payments for intangible assets	(86)	-	(450)
Net cash used in investing activities	(2,655)	(7,447)	(2,081)
Cashflows from financing activities			
Shares issued	-	3,750	-
Cost of share issue	-	(121)	-
Interest paid	(880)	(412)	(690)
Repayment of borrowings	(2,890)	(3,980)	(3,296)
Funds from borrowings	3,515	2,000	7,979
Net cash (used in)/provided by financing activities	(255)	1,237	3,993
Net increase/(decrease) in cash held	39	18	37
Cash at start of period	67	49	12
Cash at end of period	106	67	49

Source: Company Financials

5.63 The Company has invested (net of disposals) approximately \$12.8 million in the last two years and six months, for the purchase of plant and equipment (primarily vessels) of approximately \$7.4 million and the acquisition of two mackerel licences and associated assets of approximately \$4.9 million. These investments were funded by net cash flow from operating activities of \$7.3 million, a share issue of \$3.75 million and a net increase in external borrowings of \$3.3 million.

Financial position

5.64 The table below sets out a summary of the financial position of Mareterram as at 31 December 2018 and 31 December 2017.

Table 11 Mareterram historical financial position

A\$000's	Ref	31-Dec-18 Subject to Audit Completion	31-Dec-17 Audited
Assets			
Cash and cash equivalents	5.65	106	67
Trade and other receivables		6,897	7,538
Inventories		6,995	7,340
Deposit funds held in escrow		-	4,952
Prepayments and other assets	5.66	2,329	1,636
Current financial derivatives		11	161
Total current assets		16,338	21,694
Property, plant and equipment	5.67	14,629	12,288
Fishing licences	5.68	29,099	25,240
Goodwill	5.70	2,292	2,292
Other intangibles	5.71	505	435
Total non-current assets		46,525	40,255
Total assets		62,863	61,949
Liabilities			
Trade payables		1,606	2,060
Employee liabilities		643	613
Loans and borrowings	5.72	4,666	3,151
Finance liabilities		23	30
Current financial derivatives		55	13
Accruals and other payables		2,004	1,852
Other current liabilities	5.73	2,146	2,146
Total current liabilities		11,143	9,865
Loans and borrowings	5.72	15,260	14,000
Finance liabilities		37	60
Employee liabilities		126	121
Deferred tax liabilities	5.75	3,229	3,065
Other non-current liabilities	5.73	4,134	6,148
Total non-current liabilities		22,786	23,394
Total liabilities		33,929	33,259
Net assets		28,934	28,690

Source: Company Financials

- 5.65 At 31 December 2018 Mareterram had net assets of approximately \$28.9 million and a working capital surplus (current assets less current liabilities, excluding cash) of approximately \$5.1 million.
- 5.66 Prepayments and other assets primarily comprise expenditure relating to the 2019 fishing harvest including licence fees, packaging, nets, engines and other vessel maintenance.
- 5.67 The carrying value of property, plant and equipment as at 31 December 2018 was \$14.6 million, allocated as shown below:

Table 12 Property, plant and equipment

A\$000	As at 31-Dec-18	As at 31-Dec-17
Vessels	10,996	6,667
Buildings	1,896	2,011
Plant and Equipment	1,237	1,419
Motor Vehicles	-	41
Capital in Progress	500	2,150
Total	14,629	12,288

Source: Financial statements

- 5.68 The increase in the value of the vessels in the year ended 31 December 2018 is due to the allocation of the capital in progress as at 31 December 2017 to vessels representing rebuilding and refitting costs, further rebuilding and refitting costs incurred in the year ended 31 December 2018 and the acquisition of vessels with the two mackerel licence packages.
- 5.69 Fishing licences of \$29.1 million as at 31 December 2018 include ten SBPMF licences that were acquired as part of the Nor-West Seafood business assets in December 2015, which are subject to compliance with regulatory and financial obligations (refer to paragraph 5.73). The increase in fishing licences of \$3.86 million as at 31 December 2018 is due to the acquisition of 13 WAMMF licences in February 2018. The licences are recorded at fair value on acquisition and are not amortised for accounting purposes.
- 5.70 Goodwill of \$2.3 million as at 31 December 2018 relates to the previously acquired NWS business and Food Services Division of the Craig Mostyn Group.
- 5.71 Other intangibles comprise \$150k for a Thai Union Throughput Permit for the processing of prawns, \$300k for the rights to the Sea Harvest retail business in Australia acquired from Atlantic Seafoods and \$55k for the Running Wild Fish Co brand.
- 5.72 Loans and borrowings of \$4.7 million (current) and \$15.3 million (non-current) totalling \$20.0 million as at 31 December 2018 relate to amounts drawn down under a \$25.3 million interest bearing loan facility with NAB available for acquisition finance and working capital funding. All loan facilities are secured by a first charge over all of the Group's assets, including acquired plant and equipment, property and fishing licences.
- 5.73 The SBPMF is subject to the SBPMF Voluntary Fisheries Adjustment Scheme ("VFAS") which was established on 12 November 2010 pursuant to the *Fisheries Adjustment Scheme Act 1987 (WA)*, in connection with the reduction in the number of managed licences at that time from 27 to 18. The VFAS operates from 12 November 2010 until 1 July 2021 and for the period between 2015 and 2021, an annual fee of \$215,476 per licence is payable by the holder of a licence, which authorises fishing in the Shark Bay region. The payment is due on 1 March of each year the VFAS is operative.

5.74 At 31 December 2018 the fair value of the liability under the VFAS was \$6.28 million with the liabilities shown at present values discounted at the five-year Corporate Bond rate:

Table 13 VFAS liability

A\$000's	As at 31-Dec-18	As at 31-Dec-17
Current		
Fishing licence liability	2,146	2,146
Non-current		
Fishing licence liability ⁽¹⁾	4,134	6,148
Total Other liabilities	6,280	8,294

(1) The non-current liability is the present value discounted at the five-year corporate bond rate

Source: Financial statements

5.75 The deferred tax liability comprises the following:

Table 14 Deferred tax liability

A\$000's	As at 31-Dec-18	As at 31-Dec-17
Deferred tax assets	4,420	4,659
Deferred tax liabilities	(7,649)	(7,724)
Net deferred tax liability	(3,229)	(3,065)

Source: Financial statements

5.76 There are two major components to the deferred tax asset being carried forward tax losses and the VFAS annual payment which is deductible for tax purposes and accordingly results in a tax benefit on future payments.

5.77 In accordance with accounting standards, a deferred tax liability of \$7.563 million was created in relation to the initial acquisition of the NWS fishing licences, being indefinite life intangible assets, based on 30% of \$25.2 million. This was on the basis that the licences were not being held for resale. It was concluded that the tax base should be reflected on the assets expected manner of recovery; Mareterram expected to recover the asset through use rather than sale and therefore no tax deduction would be available in future periods.

Capital structure

5.78 Mareterram has 154,535,198 ordinary shares on issue. The top 20 shareholders of Mareterram as at 2 January 2019 held 84.46% of the issued ordinary shares and are set out below.

Table 15 Mareterram Top 20 shareholders

Rank	Name	Total Units	% Issued Share Capital
1	SEA HARVEST INTERNATIONAL (PTY) LTD	35,817,925	23.18%
2	SEA HARVEST INTERNATIONAL PTY LTD <DLA PIPER AUSTRALIA>	27,790,110	17.98%
3	SEA HARVEST INTERNATIONAL PTY LTD <DLA PIPER AUSTRALIA>	23,358,546	15.12%
4	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	6,138,016	3.97%
5	ORANGE SUN DEVELOPMENT CORPORATION PTY LTD	5,000,000	3.24%
6	ORESUSA PTY LTD <THE F & J ROMANO S/FUND A/C>	4,300,000	2.78%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,121,663	2.67%
8	CITICORP NOMINEES PTY LIMITED	3,367,944	2.18%
9	MOLONGLO PTY LTD <P & J HUTCHINSON S/F A/C>	2,796,875	1.81%
10	MR ROBERT MCKENZIE MOSTYN	2,500,000	1.62%
11	ZERO NOMINEES PTY LTD	2,105,334	1.36%
12	MISTINIKON PTY LTD <LOCK FAMILY A/C>	2,037,500	1.32%
13	YEA-SAYER PTY LTD	2,000,000	1.29%
14	NATIONAL NOMINEES LIMITED	1,898,104	1.23%
15	MR STACEY RADFORD	1,848,714	1.20%
16	POLLARA PTY LTD <THE POLLARA A/C>	1,415,210	0.92%
17	EGMONT PTY LTD <CRAIG CARTER SUPER FUND A/C>	1,350,000	0.87%
18	MCCUSKER HOLDINGS PTY LTD	1,000,000	0.65%
19	GARRISON HOLDINGS PTY LTD <PAUL COOK SUPER FUND A/C>	875,000	0.57%
20	ALEXANDER HOLDINGS (WA) PTY LTD	800,000	0.52%
Total Top 20 Shareholding		130,520,941	84.46%
Total issued capital		154,535,198	100%

Source: Company

5.79 Sea Harvest International Pty Ltd is the largest individual shareholder with a 56.28% shareholding in Mareterram.

Options

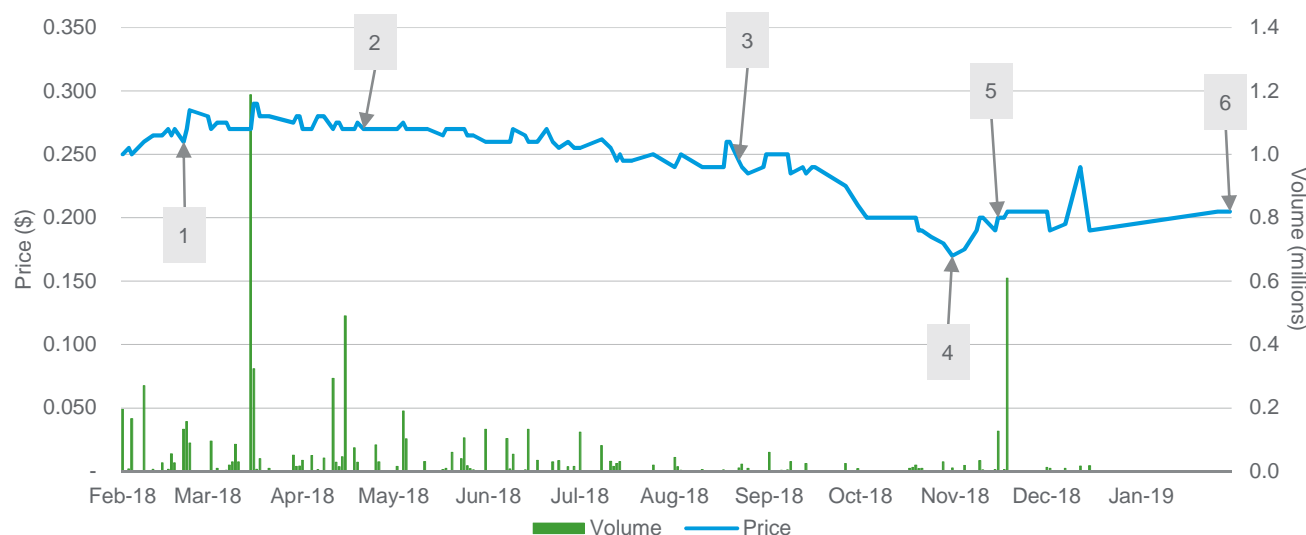
5.80 At 31 December 2018 there were 10,000,000 options on issue comprising:

- 5 million exercisable at \$0.20 per option on or before 18 December 2020; and
- 5 million exercisable at \$0.30 per option on or before 30 June 2023.

Share price performance

5.81 The figure below sets out a summary of Mareterram closing share prices and traded volumes for the 12 months to 4 February 2019 when the Company entered a trading halt on the ASX prior to the announcement of the Offer.

Figure 4 Mareterram daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.82 In the 12-month period to 4 February 2019 Mareterram's shares price fluctuated between \$0.17 and \$0.29 per share. During this period, approximately 6.24% of the Company's total volume of shares were transacted indicating low liquidity, and in particular we note that there was negligible trading over the six months to 4 February 2019 other than a few days in November 2018.

5.83 The most active volume trading day occurred on 20 March 2018, when 0.77% of the Company's shares were traded, however, there were multiple days during the period analysed where none of the Company's shares were traded.

5.84 Significant announcement dates have been noted in the graph above and are described in further detail as follows:

No	Date	Comments
1	26-Feb-18	Mareterram announced that James Clement had been appointed as Managing Director and Chief Executive Officer, in line with the Company's succession plans announced on 26 October 2017
2	26-Apr-18	Mareterram released its investor presentation which summarised the Company's highlights and key performance indicators during the 2017 calendar year
3	28-Aug-18	Mareterram released its half yearly report and accounts along with commentary which highlighted a decrease in EBITDA and a 28% decrease in revenue compared to 31 December 2017
4	5-Nov-18	Mareterram released its operations update which summarised some of its key performance measures. This included the Company reporting a decrease in prawn and scallop catch volume during the 2018 fishing season and its decision to bring vessels back to port early, as well as reporting that operational overheads were on track to be significantly lower than 2017.
5	20-Nov-18	Mareterram announced that Mr Gregory Roberts-Baxter had been appointed as Non-Executive Director of the Company.
6	4-Feb-19	The ASX announced that Mareterram had been placed in trading halt at request of the Company, pending it releasing an announcement.

6. Profile of Sea Harvest

Background

- 6.1 Sea Harvest Holdings and its related entities (together the Sea Harvest Group) is a South African deep-sea trawling company established in 1964 in the harbour town of Saldanha on the west coast of South Africa. Its principal business is deep-sea trawling of the hake fish species, processing of the catch into frozen and chilled seafood and the marketing of these products both locally and internationally.
- 6.2 The Sea Harvest Group is vertically integrated and owns all its fishing vessels and processing facilities. The Sea Harvest Group employs more than 3,800 people.
- 6.3 The Sea Harvest Group is one of the largest hake producers in South Africa and offers its own brand of Cape Hake products such as fillets and value-added products which it processes under frozen and chilled seafood and the marketing of these products both locally and internationally.
- 6.4 As well as hake, the Sea Harvest Group's aquaculture operations span abalone, mussels, oysters and trout and from January 2019 it diversified into agribusiness with the acquisition of a cheese business.
- 6.5 For the financial year ended 31 December 2017 the Sea Harvest Group generated revenue of A\$211 million (ZAR 2.13 billion at exchange rate A\$1:ZAR10.07), operating profit before interest of A\$38 million (ZAR 383 million) and had consolidated total assets of A\$255 million (ZAR 2.57 billion).

Ownership

- 6.6 Sea Harvest listed on the Johannesburg Stock Exchange (JSE code: SHG) in March 2017. The majority shareholder of Sea Harvest is Brimstone Investment Corporation Limited ("Brimstone") which holds a 54.19% interest in Sea Harvest.
- 6.7 Brimstone is a diversified investment holding company incorporated in South Africa and listed on the Johannesburg Stock Exchange (JSE codes BRT and BRH). Brimstone holds investments in the food, healthcare, infrastructure, ICT and financial services sector. As at 31 December 2017 Brimstone had gross assets totalling \$914 million (ZAR 9.2 billion at exchange rate \$1 :ZAR 10.07).

7. Valuation Approach

Basis of evaluation

- 7.1 The valuation of Mareterram has been prepared on the basis of Fair Market Value which may be defined as the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.
- 7.2 Fair Market Value is context specific, such that under normal circumstances when a shareholder is in a controlling position or owns 100% of the shares, their shares attract a control premium. Conversely, when the shareholder is in a non-controlling position, a minority discount is typically applied.
- 7.3 However, in the context of a takeover, RG 111 requires and it is generally accepted that the valuation of the minority shares is calculated by pro-rating the value of the respective proportion of the Company's equity assuming 100% ownership of the subject company (that is, after applying a control premium).
- 7.4 In addition, we have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the particular acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to other likely purchasers in general. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of specific purchasers.

Valuation methodologies

- 7.5 In assessing the Fair Market Value of an ordinary Mareterram Share prior to the Offer, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies.
- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 7.6 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 7.7 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:
- the quoted price for listed securities; and
 - industry specific methods.
- 7.8 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.
- 7.9 Industry specific methods usually involve the use of industry "rules of thumb" to estimate the fair market value of a company and its securities. Generally, "rules of thumb" provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 7.10 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow ("DCF"); and
 - capitalisation of future maintainable earnings ("FME").
- 7.11 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flow. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.12 The capitalisation of FME method estimates the value of an entity's equity by capitalising the underlying business' FME, adding the value of any surplus assets or non-operating assets (or deducting and excess or non-operating liabilities) and deducting net debt (or adding net cash).
- 7.13 The capitalisation of earnings methodology is generally considered a short form of DCF, where an estimation of the FME of a business rather than a stream of cashflows is capitalised based on an approximate earnings multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies. The capitalisation of earnings methodology is commonly used in valuing businesses and is appropriate where the earnings of a business are regular and sufficient to justify a value of exceeding the value of underlying assets.

Asset based methods

- 7.14 Asset based methodologies estimate the Fair Market Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 7.15 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.16 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.17 The net assets on a going concern method estimates the market values of the net assets of a company but, unlike the orderly realisation of assets method, it does not take into account realisation costs.
- 7.18 Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies:

Selection of Valuation Methodologies

Valuation of a Mareterram Share

7.19 In assessing the value of Mareterram and of a Mareterram Share we have selected the following valuation methodologies:

- Capitalisation of FME;
- Orderly Realisation of Assets; and
- Quoted prices of listed securities.

7.20 In our opinion, these are the most appropriate methodologies for the following reasons:

- Mareterram has a trading history;
- There is an adequate number of publicly listed companies with operations sufficiently similar to Mareterram to provide meaningful analysis;
- Mareterram has a relatively high asset value compared to its historical trading profit;
- There are no long term cashflow projections available; and
- Mareterram's securities are listed on the ASX, which provides an indication of the market value where an observable market for the securities exists.

Valuation of Consideration

7.21 Sea Harvest is offering Mareterram Non-Associated Shareholders cash consideration of \$0.25 per Mareterram share, therefore there is no need to value the Offer Consideration.

8. Valuation of a Mareterram Share

8.1 As stated in Section 7 of this Report, we have adopted three bases of valuation to assess the value of a Mareterram share:

- Capitalisation of Future Maintainable Earnings;
- Orderly realisation of assets; and
- Quoted price of listed securities.

Capitalisation of future maintainable earnings

8.2 We have assessed the value of 100% of Mareterram on a control basis to be in the range of approximately \$20.6 million and \$32.4 million and the value of a Mareterram Share on a control basis to be in the range of \$0.133 (13.3 cents) and \$0.210 (21.0 cents) based on the capitalisation of FME methodology, as summarised in the table below:

Table 16 Summary of Valuation – Capitalisation of FME

	Ref	Assessed Values	
		Low	High
Assessed EBITDA (\$000)	8.20	5,750	6,250
Assessed EBITDA Multiple	8.25	6.5	7.5
Enterprise value (minority interest)		37,375	46,875
Control premium	8.29	25%	25%
Enterprise value (controlling basis)		46,718	58,594
Less: Net debt (\$000)	8.30	(19,880)	(19,880)
Less: Net excess liabilities (\$000)	8.32	(6,280)	(6,280)
Equity value (100% interest) (\$000)		20,558	32,434
Number of shares on issue	5.78	154,535,198	154,535,198
Value per Share (control basis)		\$0.133	\$0.210

Source: RSM Analysis

Key Assumptions

8.3 The capitalisation of earnings methodology estimates the value of the equity of a company by capitalising the FME of the underlying business at an appropriate multiple, which reflects the underlying risk profile and growth prospects of the business, applying a premium for control where necessary, adding the value of any surplus or non-operating assets (or deducting any excess or non-operating liabilities) and deducting net debt (or adding net cash). Accordingly, valuing Mareterram using the capitalisation of maintainable earnings methodology requires the determination of the following variables:

- future maintainable earnings;
- an appropriate capitalisation multiple;
- an appropriate premium for control;
- the current level of net debt or net cash; and
- the value of surplus assets or excess liabilities.

8.4 Our considerations with regard to each of these factors is presented below.

Future maintainable earnings

8.5 Our calculation of future maintainable earnings is based on Mareterram's future maintainable EBITDA. We have used future maintainable EBITDA as it allows Mareterram's earnings and therefore appropriate capitalisation rates to be compared to other companies as:

- A company's EBITDA is unaffected by the capital structure (level of gearing), tax structure or income tax rates; and
- EBITDA can be viewed as a better representation of the actual cash that flows through a company than earnings as depreciation and amortisation are non-cash charges against earnings.

8.6 In assessing the future maintainable earnings of Mareterram we have considered the following:

- Mareterram's financial performance for the years ended 31 December 2017 and 31 December 2018;
- Mareterram's Average Catch Season projections, prepared for internal reporting purposes;
- Our review of abnormal or non-recurring income statement items and other normalisation adjustments;
- The market conditions and outlook of the industry Mareterram operates in; and
- Our discussions with management.

8.7 In order to normalise earnings at the EBITDA level we have made the following adjustments:

Table 17 Adjustments to EBITDA

\$'000 Adjustments to EBITDA	Ref	Average Catch Season	Year ended 31-Dec-18	Year ended 31-Dec-17
EBITDA	5.35 & 5.61	6,150	3,019	3,112
<i>Normalisation Adjustment</i>				
Prawn fishing operations	8.8	-	2,107	(28)
Mackerel fishing operations	8.11	(98)	254	488
Change of CEO	8.12	-	-	111
Changes to sales team structure	8.13	-	96	414
One off expenses	8.14	-	88	662
New insurance contract	8.18	80	80	80
Diesel hedging	8.19	190	-	-
Adjusted EBITDA		6,322	5,644	4,839

Source: RSM Analysis

Prawn fishing operations

8.8 As discussed earlier in the Report, catch rates in the Shark Bay area can fluctuate significantly from year to year as evidenced by the low catch in CY18. As a means of addressing this variability, Mareterram management adopts a five-year rolling average catch rate when budgeting future performance.

8.9 In order to appropriately normalise earnings from the previous fishing operations we have applied the five-year average catch adopted for the Average Catch Season to the historic CY18 and CY17 results. This provides the following prawn catch normalisation adjustments:

Table 18 Prawn catch adjustments

Tonnes	Average Catch Season	Year ended 31-Dec-18	Year ended 31-Dec-17
Average / Actual catch	838	537	842
Normalised catch	838	838	838
Prawn catch normalisation	-	301	(4)

Source: RSM Analysis

- 8.10 We have then assessed the financial impact of the volume adjustments by applying an average contribution margin to the above tonnes.

Mackerel fishing operations

- 8.11 CY18 was the first year of the mackerel fishing operations for Mareterram. The catch was only 36 tonnes from a quota of 90 tonnes, as the attempts to consolidate the licence and quota packages onto one vessel did not deliver the anticipated catch volumes. The Company has confirmed that a second vessel will be introduced to facilitate an increase in volume towards the full quota. For the purposes of our normalisation of EBITDA we have adjusted the volume target to 75 tonnes to recognise the impact of the second vessel on catch rates, being approximately double the CY18 catch, given the lack of track record of the Company in this area of activity. Our normalisation adjustment reflects the contribution impact of this catch volume.

Change of CEO

- 8.12 As part of the management restructure in late 2017, James Clement moved into the role of CEO, from his previous role as COO, and David Lock took up the role of Non-Executive Chairman after transitioning from CEO. We have normalised the CEO/COO remuneration in CY17 on a pro-rata basis to reflect these changes.

Change to sales team structure

- 8.13 In CY18 the sales team of MTT was restructured with a reduction in headcount and total salaries whilst providing the same level of output. We have normalised the historical salaries of the sales team to reflect the current costs.

One-off expenses and expenses not incurred in the normal course of business

- 8.14 Set out in the table below are the one-off expenses and expenses not incurred in the normal course of business which we have identified.

Table 19 One-off expenses

\$'000s	Year ending 31-Dec-19	Year ended 31-Dec-18	Year ended 31-Dec-17
Restructure costs	-	36	490
Acquisition costs	-	41	124
Capital / fundraising costs	-	11	48
One-off expenses normalisation	-	88	662

Source: RSM Analysis

- 8.15 The major one-off expenditures were termination costs incurred in the restructure of management and the sales team.
- 8.16 Acquisition costs represent out-of-pocket costs incurred in pursuing acquisition targets. While this activity was consistent with the strategy of the Company it is appropriate to exclude the costs from normalised earnings for the assessment of underlying trading performance.

- 8.17 Consulting and other costs were incurred in managing the Company's equity and debt funding and in our view is appropriate to categorise the costs as outside the normal course of business

New Insurance Contract

- 8.18 The Company recently undertook a tender process with insurance providers which resulted in securing a lower rate with the current provider. Accordingly, we have adjusted insurance premiums for this lower rate.

Diesel hedging

- 8.19 Hedged positions have been taken by the Company in relation to diesel, which provides a lower cost than previously projected. Accordingly, we have adjusted the Average Catch Season earnings for this lower cost.

Conclusion on FME

- 8.20 On the basis of the above we have adopted a future maintainable EBITDA in the range of \$5.75 million to \$6.25 million, placing more emphasis on the CY18 actuals and Average Catch Season earnings.

Assessment of Capitalisation Multiple

- 8.21 In selecting an appropriate capitalisation multiple to value Mareterram we have considered the trading multiples of equities of companies which are listed on the ASX and New Zealand Stock Exchange ("NZSE") whose operations are the same as, or comparable to, Mareterram.

Comparable Companies

- 8.22 The table below sets out a summary of the historic and forecast EBITDA multiples of entities listed on the ASX and NZSE whose operations and activities are comparable to those of Mareterram. Brief descriptions of each of the comparable companies are set out at Appendix D.

Table 20 Summary of comparable company multiples

	Country	Enterprise Value (\$M) (4-Feb-19)	Forecast FY19 EBITDA (\$M)	Forecast FY19 EV/EBITDA Multiple	Historic FY18 EBITDA (\$M)	Historic FY18 EV/EBITDA Multiple
Clean Seas Seafood Limited	Australia	85	n/a	n/a	5.93	14.39
Huon Aquaculture Group Limited	Australia	492	79.81	6.16	58.66	8.38
Tassal Group Limited	Australia	884	118.74	7.45	113.35	7.80
Select Harvests Limited (1)	Australia	621	59.98	10.36	8.70	71.44
Sanford Limited	New Zealand	772	91.52	8.43	79.85	9.67
Average			87.51	8.10		10.06
Median				7.94		9.03

(1) Select Harvest's FY18 EV/EBITDA has been excluded as it is an outlier

Source: S&P Capital IQ, RSM Analysis

- 8.23 In relation to the above trading multiples, we note that the share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings multiples derived from those share prices are consequently non-controlling multiples and they do not reflect a premium for control.

Comparable transactions

- 8.24 Whilst we have identified a number of transactions in the agribusiness and aquaculture sector over the last few years, we did not consider them sufficiently comparable to place any reliance on in the determination of an appropriate capitalisation multiple to apply to the FME. We have placed reliance on recent transactions of licences in the SBPMF in our assessment of Mareterram on an orderly realisation of assets.

Conclusion on capitalisation multiple

8.25 Based on our analysis of comparable company multiples, we consider an appropriate non-controlling multiple for Mareterram to be in the range of 6.5 to 7.5 times. In assessing this range, we have considered inter alia:

- The relative small size and scale of Mareterram compared to the comparable companies;
- The relative volatility in historic earnings of Mareterram and limited diversification;
- The strong credentialed and experienced Board and senior management;
- The involvement of Sea Harvest as major Shareholder and supplier; and
- The value of the underlying assets.

Premium for Control

8.26 Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- Access to potential synergies;
- Control over decision making and strategic direction;
- Access to underlying cash flows; and
- Control over dividend policies.

8.27 In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. Earnings multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of Shares).

8.28 In selecting a control premium we have given consideration to the RSM 2016 Control Premium Study. The study performed an analysis of control premiums paid over a 11-year period to 30 June 2016 in 463 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 25% to 35%.

8.29 In valuing an ordinary share in Mareterram we have been cognisant of the underlying assets and liabilities, and consequently have selected a premium for control of 25%.

Net Debt

8.30 We have assessed the net debt position to be approximately \$19.9 million as summarised in the table below:

Table 21 Assessment of Net Debt

\$'000	Audited As at 31-Dec-18
Cash and cash equivalents	106
Debt	(19,986)
Net debt	(19,880)

Source: Mareterram Financial Statements

8.31 Interest paying debt as at 31 December 2018 comprised the following:

Table 22 Interest-bearing Debt

A\$000's	As at 31-Dec-18
Current Liabilities	
Loans and borrowings	4,666
Financial liabilities	23
Non-current Liabilities	
Loans and borrowings	15,260
Financial liabilities	37
Total Debt	19,986

Source: Mareterram Financial Statements

Excess Liabilities

8.32 Surplus assets and excess liabilities are those assets and liabilities not required to sustain the adopted level of earnings. At 31 December 2018 Mareterram had excess liabilities of \$6.280 million representing the fair value of the liability under the VFAS (refer paragraphs 5.73 and 5.74).

Orderly Realisation of Assets

8.33 We have assessed the value of Mareterram based on the orderly realisation of assets methodology to be in the range of approximately \$40.9 million and \$45.3 million and the value of a Mareterram Share on a control basis to be in the range of \$0.265 (26.5 cents) and \$0.293 (29.3 cents) as summarised in the table below.

Table 23 Summary of Valuation – Orderly Realisation of Assets

A\$000's	Ref	Low	High
Net Assets as at 31 December 2018	5.65	28,934	28,934
<i>Adjustments</i>			
Shark Bay Fishing Licences	8.40	14,760	14,760
Discount on Disposal of 10 Licences	8.44	(5,290)	-
Goodwill	8.46	(2,292)	(2,292)
Other Intangible Assets	8.47	(505)	-
VFAS	8.48	6,280	6,280
Deferred Tax	8.49	3,229	3,229
Taxation	8.49	(2,316)	(4,210)
Realisation Costs	8.50	(1,876)	(1,356)
Adjusted Net Assets		40,924	45,345
Shares on Issue	5.78	154,535,198	154,535,198
Net Assets per Share		\$0.265	\$0.293

Source: Mareterram Financial Statements, RSM Analysis

8.34 The net assets as at 31 December 2018 is extracted from the reported financial information as set out in Table 11. As discussed below, we have made adjustments to the extent that we consider it appropriate, in order to reflect the fair market value of the Company's assets and liabilities.

8.35 We have made a number of adjustments to the book values as reported by the Company to reflect realisation values on an orderly realisation of assets and these are set out below.

Shark Bay Fishing Licences

8.36 We note that there is a limited market of Shark Bay Fishing Licences given that there are only 18 in total, of which 10 are held by Mareterram. However, we understand that three of the eight licences not held by Mareterram have been sold in the recent past (over the last two years).

8.37 Whilst the majority of these transactions were private there was one acquisition at public auction in early 2017 which provided a total purchase price of licence and vessel of \$4.55 million with \$270,000 allocated to the vessel. We understand from discussions with industry participants (commercial marine brokers) that the value of the vessel was actually in the region of \$450,000 reflecting an underlying value of \$4.1 million for the licence.

8.38 Discussions with these industry participants indicates that the other two licences transacted at a similar value to the one at public auction.

8.39 On the basis of this information and acknowledging the limitations of the market data, we have assessed the value of the fishing licences to be in the range of \$3.9 to \$4.1 million for each licence. For the purposes of assessing the realisable of the licences we have adopted the value of \$4.0 million for each licence.

8.40 Therefore, our adjustment represents an assessed fair market value of \$40.0 million for the ten licences compared to the carrying value of \$25.24 million, being an increase of \$14.76 million.

Discount on Disposal of 10 Licences

8.41 We note that the evidence of licence values is based on individual licence sales. In addition, each of the licence sales included prawn vessels attached to the licence.

8.42 For the Company to effectively dispose of its prawn fishing business it would need to sell all licences, all vessels and associated infrastructure to one purchaser, as opposed to selling each licence and vessel individually which could take a long time and potentially result in the Company being left with stranded infrastructure assets.

8.43 Discussions with industry participants indicate that to effect a sale of all the prawn fishing assets on a timely basis would likely require a discount to be applied. Based on our discussions, we have applied a 10% discount to the assessed value of property, plant and equipment and Shark Bay Fishing Licences in assessing the lower end of our valuation range on an orderly realisation of assets.

8.44 We have assessed the discount to be \$5.29 million calculated as follows:

Table 24 Discount on disposal

\$'000	Assessed Value
10 Shark Bay Licences at \$4.0 million each	40,000
MTF Property, plant and equipment – book value	13,635
Less: Mackerel vessels – book value	(737)
Total value	52,898
Discount at 10%	5,290

Source: RSM Analysis

Goodwill

- 8.45 Goodwill is a residual value being the difference between the assessed value of the entity and the assessed value of the tangible and identified intangible assets.
- 8.46 We have eliminated the value of goodwill as we do not consider there to be any value attributable to this asset given that the value of net assets on an orderly realisation provides a significantly higher value than that achievable on an earnings basis.

Other Intangibles

- 8.47 These are stated at cost and represent primarily investments in “doing business”, being the Thai permit and the rights to the Sea Harvest retail agency. Given the value achieved under the earnings basis it is uncertain whether any value would be ascribed to these assets on an orderly realisation. Accordingly, we have eliminated the value of other intangibles in our assessment of the low value achieved on the orderly realisation.

VFAS Liability

- 8.48 The VFAS liability is the responsibility of the licence holder and is effectively attached to the licence. On an orderly realisation the licences are disposed of to a third party who also then takes up the VFAS liability. Accordingly, we have eliminated the VFAS liability in the assessment of the orderly realisation of assets.

Taxation

- 8.49 We have calculated the estimated taxation payable on the assessed realisable value of assets (primarily relating to the capital gain on the sale of the fishing licences), net of realisation costs. In this process the deferred tax balances are eliminated.

Realisation Costs

- 8.50 We have assessed the realisation costs to be in the range of 3% (low value) and 2% (high value) of the assessed realisable values of the assets. This has been based on discussions with commercial marine brokers and our own commercial experience.

Quoted price of listed securities

- 8.51 In order to provide a comparison and cross check to our valuation of a Mareterram Share derived using the capitalisation of FME methodology and orderly realisation of assets methodologies, we have considered the recent quoted market price for Mareterram Shares on the ASX prior to the announcement of the Offer.
- 8.52 RG 111.69 indicates that for the Quoted Price of Listed Securities methodology to represent a reliable indicator of Fair Value, there needs to be an active and liquid market for the Shares.
- 8.53 The following characteristics may be considered to be representative of a liquid and active market:
- Regular trading in the company’s securities;
 - Approximately 1% of a company’s securities are traded on a weekly basis;
 - The bid / ask spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
 - There are no significant but unexplained movements in the share price.

Trading Prior to the Announcement of the Offer

8.54 The figure below sets out a summary of the closing share prices and trading volumes of Mareterram Shares traded in the 12 months to 4 February 2019, being the last day Mareterram Shares traded prior to the announcement of the Offer. This assessment only reflects trading prior to the announcement of the Offer in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

Figure 5 Mareterram Share Price Volume Graph pre-Announcement



Source: S&P Capital IQ/ASX

8.55 To provide further analysis of the quoted market prices for Mareterram's Shares, we have considered the VWAP over a number of trading day periods ending 4 February 2019. An analysis of the volume in trading in Mareterram's Shares for the 1, 5, 10, 30, 60, 90 and 180 trading periods is set out in the table below.

Table 25 Mareterram Share traded prices

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	-	0.205	0.205	0.191	0.193	0.194	0.201	0.231
Total volume (000's)	0.0	0.6	0.6	18.8	873.3	1,011.8	1,195.3	2,408.0
Total volume as a % of total shares	0.00%	0.00%	0.00%	0.01%	0.57%	0.65%	0.77%	1.56%
Low price	0.000	0.205	0.205	0.190	0.175	0.170	0.170	0.170
High price	0.000	0.205	0.205	0.205	0.260	0.260	0.260	0.305

Source: S&P Capital IQ/ASX

8.56 As set out in the table above, the VWAP of Mareterram's shares fluctuated between \$0.191 and \$0.231 over the past 180 trading days and between \$0.194 and \$0.205 in the 90-day trading period before the announcement of the Offer.

8.57 During the 180-day trading period prior to and including 4 February 2019, approximately 1.56% of Mareterram's shares were traded and in the 60-day trading period prior to and including 4 February 2019 approximately 0.57% of Mareterram shares were traded, indicating a highly illiquid stock.

Valuation of a Mareterram Share (Quoted Price of listed securities methodology)

8.58 Our valuation of a Mareterram Share on the basis of the recent quoted market price including a premium for control is between \$0.241 and \$0.256 as summarised in the table below:

Table 26 Assessed value of a Mareterram Share – quoted market price

	Ref	Low	High
Quoted market price (non-control basis)	8.60	0.193	0.205
Control premium	8.63	25%	25%
Value of a Mareterram Share on a control basis		\$0.241	\$0.256

Source: RSM Analysis

Key assumptions

Value of a Mareterram Share on a non-control minority basis

8.59 We note the following:

- The VWAP has ranged from a low of \$0.191 to a high of \$0.205 in the 90 trading day period before the announcement of the Offer;
- Trading volumes in the 30 trading days before the announcement of the offer have been extremely limited;
- Trading volumes in the 30 to 90 trading days before the announcement of the offer have been at higher volumes and consistent VWAP (\$0.191 to \$0.194);
- Notwithstanding the level of liquidity, Mareterram complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Mareterram; and
- In the absence of other share offers, the trading share price represents the value which minority shareholders could realise if they wanted to exit their investment.

8.60 Based on the analysis of the recent trading in Mareterram's Shares (paragraphs 8.54 to 8.57) we have assessed the value of a Mareterram Share on a non-control basis, to be in the range of \$0.193 being the 60-day VWAP, and \$0.205 being the last traded price before the Offer was announced.

Control Premium

8.61 The value derived at paragraph 8.60 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of Mareterram. RG 111.11 states that when considering the value of a company's shares the expert should consider a premium for control. The Offer from Sea Harvest is to acquire 100% of the issued capital of Mareterram. Therefore, as explained in Section 4, our assessment of the Fair Value of a Mareterram Share must include a premium for control.

8.62 RSM has conducted a study on 463 takeovers and schemes of arrangements involving companies listed on the ASX over the 11 years ended 30 June 2016. In determining the control premium, we compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the date prior to the date of the offer.

8.63 In valuing an ordinary Mareterram share prior to the Offer using the quoted price of listed securities methodology we have reflected a premium for control of 25%.

Valuation summary and conclusion

8.64 A summary of our assessed values of an ordinary Mareterram Share on a control basis derived under the three methodologies, is set out in the table below:

Table 27 Assessed Value of a Mareterram Share

	Ref	Value per Share	
		Low	High
		\$	\$
Capitalisation of FME	8.2	0.133	0.210
Orderly Realisation of Assets	8.33	0.265	0.293
Quoted market price	8.58	0.241	0.256
Assessed value of a Mareterram Share		0.265	0.293

Source: RSM analysis

- 8.65 We consider that the value of a Mareterram Share on a control basis is in the range of \$0.265 to \$0.293 which has been derived using the orderly realisation of assets methodology.
- 8.66 Whilst the recent quoted market prices of Mareterram provide a useful cross-check to the value we have derived using the orderly realisation of assets methodology, based on our analysis of the recent volume of trading in Mareterram Shares we do not consider the market to be sufficiently liquid to provide a meaningful assessment of their value on a standalone basis.
- 8.67 We have adopted the value achievable on an orderly realisation of assets which reflects the value that could be returned to Shareholders in such circumstances; this is greater than the amount that could be derived from continuing the operations as demonstrated by the value derived from the capitalisation of FME methodology.
- 8.68 Therefore, in our opinion the value of a Mareterram Share is between \$0.265 (26.5 cents) and \$0.293 (29.3 cents) on a control basis.

9. Is the Offer Fair?

- 9.1 The table below sets out the value of the consideration payable per share for Mareterram as compared to the valuation of each share.

Table 28 Valuation Summary

Assessment of fairness	Ref	Value per Share	
		Low	High
		\$	\$
Fair value of a Mareterram Share pre the Proposed Transaction - Control basis	8.68	0.265	0.293
Fair value of Offer Consideration	7.21	0.250	0.250

Source: RSM analysis

- 9.2 As the value of the consideration payable per Mareterram share is less than our assessed value of a Mareterram Share, in our opinion the Proposed Transaction is **Not Fair** to the Non-Associated Shareholders of Mareterram.

10. Is the Offer Reasonable?

10.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Offer, we have given consideration to:

- The future prospects of Mareterram if the Offer does not proceed; and
- Other advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Offer proceeding.

Stated Intentions of Sea Harvest in relation to the Offer

10.2 If Sea Harvest acquires a relevant interest in at least 90% of Mareterram Shares, it intends to:

- continue the Mareterram business;
- compulsorily acquire all the remaining Mareterram Shares in which Sea Harvest does not have a relevant interest, in accordance with the Corporations Act; and
- arrange for Mareterram to be removed from the official list of the ASX.

10.3 If Sea Harvest acquires a relevant interest in less than 90% of Mareterram Shares and waives the 90% minimum acceptance condition, it is not entitled to compulsorily acquire the remaining Mareterram Shares and therefore it intends to:

- continue the Mareterram business; and
- consider whether it is appropriate to maintain Mareterram's listing on the ASX.

Shareholding Interest of Sea Harvest

10.4 Sea Harvest currently has a controlling interest in Mareterram of 56.28%. Sea Harvest may increase its interest in Mareterram as a result of the Offer depending on the number of Shareholders who accept the Offer and whether Sea Harvest waives the 90% minimum acceptance condition.

10.5 If Sea Harvest waives the 90% minimum acceptance condition and the Offer is accepted by some Shareholders, Sea Harvest may increase its shareholding and therefore its degree of control of Mareterram but not be in a position to proceed with compulsory acquisition of the remaining Mareterram Shares. Possible consequences of this include:

- the share price may fall following the end of the Offer period;
- the liquidity of Mareterram shares may be lower than at present;
- if the number of Shareholders is less than required by the ASX Listing Rules, Sea Harvest may seek to have Mareterram removed from the official list of the ASX; and
- if Sea Harvest increases its shareholding in Mareterram to 75% or more of the shares on issue, it will be able to pass special resolutions of the Company. This will enable Sea Harvest to, amongst other things, change Mareterram's constitution.

- 10.6 The table below sets out the various levels of interest which Sea Harvest may acquire, and the relevant implications of those levels for the Non-Associated Shareholders.

Table 29 Levels of Shareholding Interest

Level of Interest	Implications for Non-Associated Shareholders
50% - 74.9%	Sea Harvest has the ability to pass ordinary resolutions of the Company
75% +	Sea Harvest has the ability to pass special resolutions of the Company
87% +	Sea Harvest has the ability to reach the 90% compulsory acquisition threshold within 6 months by way of the 'creep' provisions
90% +	Sea Harvest has the ability to compulsorily acquire the remaining shares in the Company

Future prospects of Mareterram if the Offer does not proceed

- 10.7 If the Offer is not accepted by sufficient Mareterram Shareholders for Sea Harvest to own 90% of the issued shares of Mareterram and Sea Harvest does not waive this requirement, the Offer will not proceed and Mareterram Shareholders will retain ownership of the Shares in respect of the Offer.
- 10.8 In such circumstances, management has advised us that business operations will continue as is, but that the Company is highly likely to require additional debt or equity funding to meet ongoing working capital requirements in the short to medium term. If such funding was to be raised by issuing new equity, any such equity is likely to be at a discount to the current market price of Mareterram Shares at the time of the equity issue.

Advantages and disadvantages

- 10.9 In assessing whether the Non-Associated Shareholders are likely to be better off if the Offer proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of accepting the Offer

Advantage	Comments
Premium to the underlying share price	<p>The Offer represents a premium of 22% to the closing share price of Mareterram immediately prior to the announcement of the Offer, being \$0.205 on 1 February 2019 (the last day Mareterram shares were traded) and a 29.5% premium to the 60-day VWAP of Mareterram shares prior to the announcement of \$0.193.</p> <p>The Offer therefore allows Non-Associated Shareholders to realise value for their shares in excess of the price at which they were trading before the Offer was announced. This level of premium may not be available to Non-Associated Shareholders in the absence of the Offer.</p>
Certainty of cash	Non-Associated Shareholders are being offered cash consideration, providing a certain and immediate return for their investment in Mareterram free of any realisation expenses (e.g. brokerage fees).
Liquidity event	As discussed in paragraphs 8.54 to 8.57, shares in Mareterram have been very thinly traded, particularly in the last 120 days of trading prior to the Offer when 0.77% of shares were traded. The Offer represents an opportunity for Non-Associated Shareholders to realise their investment in the Company.
Opportunity to reinvest in alternative investments	Acceptance of the Offer will give Non-Associated Shareholders the opportunity to reinvest the cash proceeds in alternative investments.

Disadvantages of accepting the Offer

Disadvantage	Comments
The Offer is not fair	The Offer price of \$0.25 per share is below our assessed value of a Mareterram share. By accepting the Offer, Non-Associated Shareholders may be forgoing the opportunity for realising a higher value for their investment.
No exposure to the potential upside of Mareterram	Acceptance of the Offer will result in the shareholder no longer holding an ownership interest in Mareterram and consequently, Non-Associated Shareholders will not benefit from any potential future capital growth and/or profits generated by the Mareterram business.
Taxation implications	The sale of Mareterram Shares under the Offer will constitute a capital gains tax event and it is therefore possible that Mareterram Non-Associated Shareholders will incur a capital gains tax liability on their disposal. Non-Associated Shareholders are advised to seek their own independent tax advice in relation to the implications for their shareholding.

The extent to which a control premium is being paid

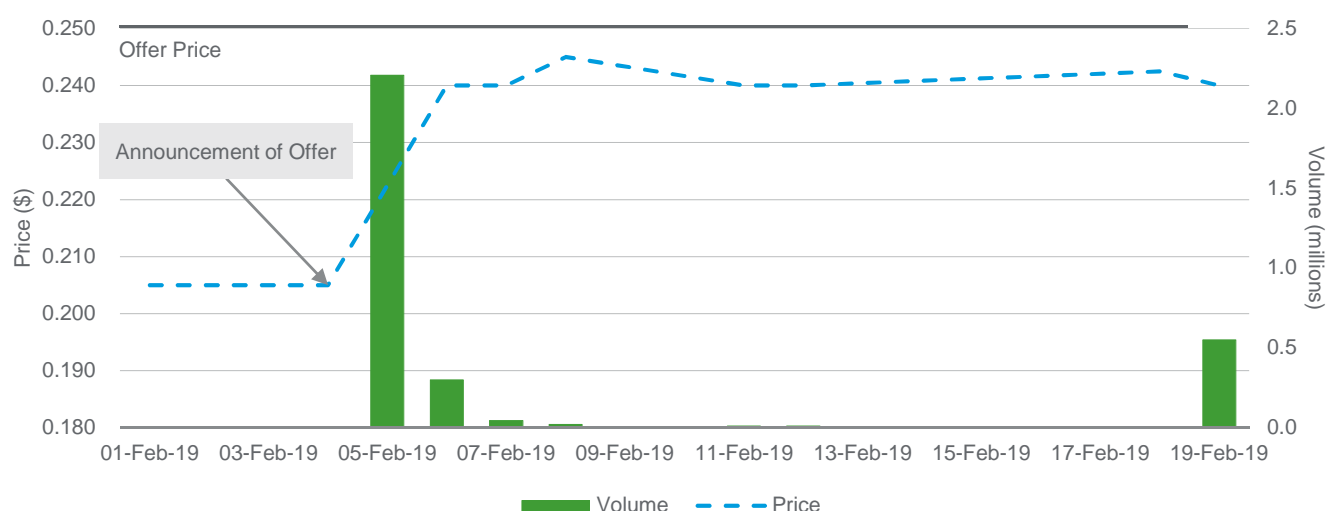
10.10 The value of the consideration offered is \$0.25 (25 cents) per Mareterram Share. This value represents a premium of 22% of the closing traded price of Mareterram Shares of \$0.205 (20.5 cents) on 1 February 2019 (being the last day Mareterram shares were traded immediately prior to the announcement of the Offer).

10.11 However, as set out in the previous section, the Offer price is lower than our assessed value of a Mareterram Share.

Trading in Mareterram shares following the announcement of the Offer

10.12 The Offer was announced to the ASX on 5 February 2019. The announcement resulted in a 17.1% increase in Mareterram's share price from the latest traded price of \$0.205 per share on 1 February 2019 to \$0.24 on 5 February 2019.

Figure 6 Trading in Mareterram Shares



Source: S&P Capital IQ

10.13 In the ten-day trading period following the announcement approximately 2% of Mareterram's total volume of shares were traded. The VWAP of Mareterram's shares for the 10-day period after the announcement was \$0.241 which is 26.2% higher than the 30-day VWAP of \$0.191 prior to the announcement of the Offer.

- 10.14 If the Offer does not achieve the 90% minimum acceptance level (and this condition is not waived by Sea Harvest), it is possible that the Mareterram share price will fall to its previous traded level (prior to the announcement).

Liquidity

- 10.15 Historically, the liquidity of Mareterram's shares has been low which may represent an impediment for Mareterram Shareholders to sell their shares at fair market value. The Offer provides Non-Associated Shareholders with an ability to convert their investment in Mareterram into cash.
- 10.16 As stated above, Sea Harvest intends to consider whether it is appropriate to maintain Mareterram's listing on the ASX if they waive the 90% minimum acceptance condition of the Offer. In these circumstances, Non-Associated Shareholders who did not accept the Offer could be left with an interest in an unlisted company with limited ability to realise their investment.

Alternative proposals and likelihood of an alternative takeover offer

- 10.17 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Mareterram a greater benefit than the Offer.
- 10.18 The Directors have advised us that no formal alternative offers or approaches by potential acquirers have been received prior to the announcement of the Offer on 5 February 2019, or since that date until issue of our Report.
- 10.19 Given that Sea Harvest currently has a 56.28% controlling interest in Mareterram, a takeover bid by any other party would require the support of Sea Harvest.

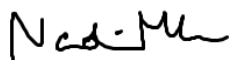
Conclusion on Reasonableness

- 10.20 In our opinion, the position of the Non-Associated Shareholders if the Offer is accepted is more advantageous than the position if it is not accepted. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Offer is **reasonable** for the Non-Associated Shareholders of Mareterram.
- 10.21 An individual Shareholder's decision in relation to the Offer may be influenced by his or her individual circumstances. If in doubt, Non-Associated Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

N MARKE



Director

J AUDCENT



Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which it is licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Ms Nadine Marke and Mr Justin Audcent are directors of RSM Corporate Australia Pty Ltd. Both Ms Marke and Mr Audcent are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Non-Associated Shareholders of the Company in considering the Offer. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Mareterram Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Nadine Marke, Justin Audcent, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Offer, except that RSM Corporate Australia Pty Ltd is expected to receive a fee of approximately \$40,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of the outcome of the Offer.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Target’s Statement to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Target’s Statement. Accordingly, we take no responsibility for the content of the Target’s Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts of Sea Harvest's Bidder's Statement in relation to the Offer
- Drafts of Mareterram's Target's Statement in relation to the Offer
- Bid Implementation Agreement
- Mareterram Preliminary Financial Statements for the year ended 31 December 2018
- Mareterram Audited Financial Statements for the six months ended 31 December 2017 and the year ended 30 June 2017
- Mareterram Announcements to the ASX
- Mareterram Share Registry information
- Mareterram Budget Pack prepared in October 2018
- Information on the operations and activities of Mareterram provided by Mareterram management and Directors
- IBIS World Report – Fishing in Australia A0410 (July 2018)
- IBIS World Report – Fishing and Seafood Wholesaling in Australia F3604 (January 2019)
- S&P Capital IQ

C. INDUSTRY OVERVIEW

Given the nature of Mareterram's business activities and in order to provide a context for assessing the value of Mareterram, we set out below an overview of the characteristics and outlook for the principal sectors in which Mareterram operates.

The Mareterram business primarily operates in two industry sectors - Fishing in Australia and Fish and Seafood Wholesaling in Australia.

Fishing in Australia

Current Performance

Mareterram's commercial fishing division is classified within the Fishing in Australia sector and we have made reference to provider of industry reports IBISWorld ("IBISWorld") report A0410 Fishing in Australia dated July 2018.

The Australian fishing sector is expected to increase at an annualised 3.2% over a five-year period to financial year 2019 ("FY19"). Increase in demand from overseas markets, particularly Asia, a shift in consumer preferences for high valued products, such as red lobster and increasing domestic seafood prices have driven growth within the industry.

Growth has been negatively affected as a result of catch quotas imposed by the Australian government which has ultimately led to a decline in seafood operators during the period.

A depletion in fish stocks has imposed further challenges within the industry over the past five years. According to the Australian Bureau of Agricultural and Resource Economics and Sciences, fish population in Australian waters peaked during FY05. Since 2005, global production of wild caught fish and crustacean species has steadily declined which has prevented the industry from taking maximum advantage of the rapid rise in global seafood demand over the past decade.

The key external drivers for the industry identified by IBISWorld are:

- Trade-weighted index;
- Domestic price of fish and other seafood;
- Demand from seafood processing;
- Seafood consumption; and
- Domestic price of poultry.

There is a low market share concentration within the fishing industry. It is highly fragmented with the majority of operators being either sole proprietors or businesses with fewer than twenty employees. In addition, the industry is very diverse. For example, barramundi and abalone fishing occur in different states and equipment and skillset requirements vary meaning it is difficult for a business to operate as a major player in the industry.

The key success factors for the industry identified by IBISWorld are:

- Must have licence;
- Establishment of export markets;
- Superior financial management and debt management;
- Access to the latest available and most efficient technology and techniques;
- Ability to accommodate environmental requirements; and
- Access to highly skilled workforce.

Industry Outlook

It is expected that the fishing industry will face intensifying challenges over the next five years leading to limited revenue growth. It is anticipated that strict quotas imposed by the Australian government will continue, restricting catch volumes. Imports are forecast to grow as a share of domestic demand over the period of analysis which is likely to cause some operators who catch low value fish to exit the industry.

Industry revenue is forecast to increase at an annualised 0.6% over the next five years through to FY24. Profit margins of operators and product segments will continue to vary. It is expected that businesses that cater for the premium export market will become more profitable over the period in line with changing consumer preferences and demand.

Fish and Seafood Wholesaling in Australia

The Food Services Division of Mareterram is classified within the Fishing and Seafood Wholesaling in Australia industry sector (IBIS report F3604 Fishing and Seafood Wholesaling in Australia dated January 2019). This sector involves selling fresh, frozen or processed seafood to wholesale establishments or specialised seafood retailers and supermarkets.

Current Performance

The Fish and Seafood Wholesaling industry has performed modestly over the past five years. Industry revenue is expected to rise at an annualised 1.2% over the five years through to FY16 to reach \$4.5 billion. Rising seafood prices coupled with marginal per capita seafood consumption growth has assisted revenue growth over the period.

A rise in disposable income coupled with greater health consciousness has boosted per capita consumption of fish and sea food over the 5-year period reviewed. Major supermarket groups such as Coles and Woolworths have increasingly bypassed industry wholesalers to purchase fish and seafood directly from vertically integrated processors and thereby restricted industry growth.

The industry's largest market comprises food service establishments such as restaurants, cafes and take away outlets. Growing disposable income and the increase in popularity of eating outside has increased the demand of fish and seafood from food service establishments.

The key external drivers for the industry identified by IBISWorld are:

- Seafood consumption;
- Real household disposable income;
- Domestic price of fish and other seafood;
- Demand from cafes, restaurants and takeaway food services;
- Demand from supermarkets and grocery stores; and
- Health consciousness.

There is low market share concentration within the fish and seafood wholesaling industry. The four largest firms account for significantly less than 40% of its revenue. More than 90% of firms within the industry are either sole proprietors or businesses that hire fewer than 20 staff. The smaller businesses within the industry generate high revenue as a result of high purchase costs of wholesale goods.

The key success factors for the industry identified by IBISWorld are:

- Ability to control stock on hand;
- Guaranteed supply of key inputs;
- Production of goods currently favoured by the market;
- Prompt delivery to market; and
- Effective cost controls.

Industry Outlook

It is forecast that operators within the industry will face challenging trading conditions over the next five years to FY24. Seafood consumption is predicted to decrease over the next five years due to over fishing concerns and strong demand from overseas markets for Australian produce. In addition, major supermarket groups such as Coles and Woolworths are expected to continue bypassing wholesalers, placing further pressure on firms operating within the industry.

D. COMPARABLE COMPANY ANALYSIS

Table 30 Comparable company multiple analysis

Company		Market Cap \$m	TEV (\$m)	FY18		FY19	
				EBITDA (\$m)	EV/EBITDA	EBITDA (\$m)	EV/EBITDA
Clean Seas Seafood Limited	ASX:CSS	89	85	n/a	n/a	5.93	14.39
Huon Aquaculture Group Limited	ASX:HUO	410	492	79.81	6.16	58.66	8.38
Tassal Group Limited	ASX:TGR	775	884	118.74	7.45	113.35	7.80
Select Harvests Limited	ASX:SHV	562	621	59.98	10.36	8.70	71.44
Sanford Limited	NZSE:SAN	619	772	91.52	8.43	79.85	9.67
Average		621		87.51	8.10		10.06
Median					7.94		9.03

Source: S&P Capital IQ

Table 31 Comparable company business descriptions

Company	Description
Clean Seas Seafood Limited	Clean Seas Seafood Limited operates in the aquaculture industry in Australia and internationally. It operates through two segments, Finfish Sales and Tuna Operations. The company engages in the propagation, harvesting, production, and marketing of Hiramasa yellowtail kingfish; and production and sale of fingerlings, mullockys, and tuna. It is also involved in the research and development activities for the production of southern Bluefin tuna. The company serves seafood distributors and wholesalers. Clean Seas Seafood Limited was founded in 2000 and is based in Port Lincoln, Australia.
Huon Aquaculture Group Limited	Huon Aquaculture Group Limited, together with its subsidiaries, hatches, farms, processes, markets, and sells Atlantic salmon and ocean trout in Australia. It also exports its products internationally. The company was founded in 1986 and is headquartered in Dover, Australia. Huon Aquaculture Group Limited is a subsidiary of Surveyors Investments Pty Ltd.
Tassal Group Limited	Tassal Group Limited, together with its subsidiaries, engages in the hatching, farming, processing, marketing, and sale of Atlantic salmon in Australia. The company offers fresh deli, fresh salmon, smoked salmon, and canned salmon. It also procures, processes, markets, and sells other seafood species. The company provides its products under the Tassal, Superior Gold, Tasmanian Smokehouse, and De Costi Seafoods brands through retail and wholesale channels. The company also exports its products. Tassal Group Limited was founded in 1986 and is headquartered in Hobart, Australia.
Select Harvests Limited	Select Harvests Limited engages in processing, packaging, marketing, and distributing edible nuts, dried fruits, seeds, and a range of natural health foods in Australia. The company operates through Almond Division and Food Division segments. It also grows, processes, and sells almonds to the food industry from company owned and leased almond orchards; and provides a range of management services to external owners of almond orchards, including orchard development, tree supply, farm management, and land and irrigation infrastructure rental, as well as markets and sells almonds on behalf of external investors. In addition, the company offers health snacks and muesli; and holds a portfolio of approximately 4,000 hectares of company owned, leased, and joint venture almond orchards. It also exports its products to India and China, as well as rest of Asia, Europe, and the Middle East. The company offers its products to retailers, distributors, and industrial users under the Lucky, Sunsol, NuVitality, and Soland brands in the retail markets, as well as the Renshaw and Allinga Farms brands in the wholesale and industrial markets. The company is headquartered in Thomastown, Australia.
Sanford Limited	Sanford Limited engages in farming, harvesting, processing, storing, and marketing seafood products. It operates through Wildcatch and Aquaculture segments. The company catches and processes inshore and deep-water fish species, as well as farms, harvests, and processes mussels and salmon, as well as oyster. It also provides auction, wharf, and research services; and retails and wholesales seafood. The company operates in New Zealand and Australia; Europe; North America; Japan, China, Hong Kong, South Korea, and the rest of Asia; Africa; the Middle East; the Pacific; and internationally. Sanford Limited was founded in 1881 and is headquartered in Auckland, New Zealand.

Source: S&P Capital IQ

E. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
BIA	Bid Implementation Agreement
Company	Mareterram Limited
Control basis	As assessment of the Fair Market Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
CYxx	Calendar year ending 31 December 20xx
Directors	Directors of the Company
DPIRD	Department of Primary Industries and Regional Development
EV	Enterprise value, meaning the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FYxx	Financial year ended 30 June 20xx
FSG	Financial Services Guide
IER	This Independent Expert Report
Non-Associated Shareholders	Shareholders of Mareterram other than the Sea Harvest Group
Mareterram or MTL	Mareterram Limited
MTF	Mareterram Fisheries
MTT	Mareterram Trading
NWS	Nor-West Seafoods Pty Ltd and Tennereef Pty Ltd
Option or Options	Unlisted options to acquire Shares
Offer	Cash offer by Sea Harvest to acquire 100% of Mareterram shares at \$0.25 per share
Report	This Independent Expert's Report prepared by RSM dated 27 February 2019
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information

SBPMF	Shark Bay Prawn Managed Fishery
SBSMF	Shark Bay Scallop Managed Fishery
Share or Mareterram Share	Ordinary fully paid share in the capital of the Company
Sea Harvest	Sea Harvest Group Limited
Sea Harvest Group	Sea Harvest Group Limited and each of its Related Bodies Corporate
Shareholder	A holder of a share in Mareterram
VFAS	Voluntary Fisheries Adjustment Scheme
VWAP	Volume weighted average share price
WAMMF	Western Australian Mackerel Managed Fishery

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Annexure 2 — ASX Announcements

The following announcements have been made to ASX concerning Mareterram since the release of its annual report for the period ending 31 December 2017 on 27 February 2018.

Date	Announcement
27/02/2018	Period End Results Announcement
27/02/2018	Appendix 4G and Corporate Governance Statement
13/04/2018	Notice of Annual General Meeting/Proxy Form
26/04/2018	Investor Presentation - April 2018
24/05/2018	AGM Presentation
24/05/2018	Results of Meeting
01/06/2018	Change of Director's Interest Notice
22/06/2018	Change of Director's Interest Notice
28/08/2018	Half Yearly Report and Accounts
28/08/2018	2018 Half Year Results - Media Release
05/11/2018	Mareterram Operations Update
19/11/2018	Investor Presentation - November 2018
20/11/2018	Director Appointment
20/11/2018	Initial Director's Interest Notice
31/01/2019	Preliminary Final Report
31/01/2019	Year End Results Announcement
04/02/2019	Trading Halt
05/02/2019	Proposed Takeover Offer by Sea Harvest
07/02/2019	Takeover Offer Update
26/02/2019	Pause In Trading

Date	Announcement
26/02/2019	Trading Halt

Corporate Directory

Board of Directors

David Lock	–	Non-Executive Chairman
James Clement	–	Managing Director and Chief Executive Officer
Mark Pitts	–	Non-Executive Director
Felix Ratheb	–	Non-Executive Director
Fred Robertson	–	Non-Executive Director
Muhammad Brey	–	Non-Executive Director
Gregory Roberts-Baxter	–	Non-Executive Director

Company Secretary

Richard Duncan

Registered Office

Suite 8, 7 The Esplanade
Mount Pleasant, Western Australia

Share Registry

Automic Registry Services
Level 5, 126 Philip Street
Sydney, New South Wales 2000